

FINANCIAL

The Financial Section contains:

- A. Independent Auditor's Report
- B. General Purpose Financial Statements
- C. Notes to General Purpose Financial Statements
- D. Combining, Individual Fund, and Account Group Statements



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Alan C.
Young & Associates, P.C.
— CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor
and Members of the City Council
City of Detroit, Michigan:

We have audited the accompanying general purpose financial statements of the City of Detroit, Michigan (the City) as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, Economic Development Corporation, Museum of African American History, School District of the City of Detroit, Detroit Transportation Corporation, and Greater Detroit Resource Recovery Authority, which represent 96.2% and 99.1%, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on the audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Detroit, Michigan as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.





Alan C.
Young & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, component unit, and account group financial statements listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The introductory and statistical sections listed in the table of contents were not audited by us, and accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2001 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

December 21, 2001
Detroit, Michigan



Photos courtesy of City of Detroit — Communications and Creative Services Department

1851

Hog Island was officially renamed Belle Isle, after Lewis Cass' daughter, Belle. Belle Isle is 982 acres of woods and canals, Blue Heron Lagoon and three lakes: Lake Muscoday, Lake Okonoga and Lake Tacoma. Belle Isle also features the Belle Isle Zoo, nature center, aquarium and conservatory, Scott Memorial fountain, Detroit Garden Center, Yacht Club, Freedom Tower, Belle Isle Casino Building, picnic areas, beach and fishing dock.

The American Indians called the island *Mahnahbezee*, which means White Swan, because it was a resting place for migratory swans. Before 1851, it was called Rattlesnake Island because it was infested with vipers. During the French occupation, it became known as Hog island, a public domain, where settlers "could keep their pigs safe from wolves," according to Janet Anderson, author of *Island in the City*, a history of Belle Isle.

Lt. McDougall purchased the island from the Ottawa and Chippewa Indian tribes in 1769, paying for it, in part, with rum, tobacco and red pigment. In 1784, his son took possession of the island, then under U.S. jurisdiction. In 1879, the City bought Belle Isle for \$200,000.

In 1912, the island had greenhouses, a bathhouse, an infants' rest area and a conservatory. In 1923, Detroit children contributed their pennies to buy an elephant named Sheba for the island. In 1946, the Boy Scouts and Girl Scouts staged a living checker game on a 24-foot by 24-foot board on the island.

In 1999, the annual Detroit Grand Prix was moved to the island. The southern tip of Belle Isle is transformed into a state-of-the-art, temporary road course and a haven for approximately 200,000 spectators.

EXHIBIT AAA-1

**City of
COMBINED
ALL FUND TYPES, ACCOUNT GROUPS AND
June 30,**

Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash.....	\$ 11,719,503	\$ 38,766,926	\$ 4,337	\$ 45,859,210
Investments - Retirement Systems Funds.....	-	-	-	-
Investments - Other Funds.....	26,246,342	54,993,636	154,538	77,729,852
Accounts and Contracts Receivable:				
Due from Other Funds.....	89,163,545	13,799,203	1,150,000	6,610,259
Due from Primary Government.....	-	-	-	-
Due from Component Units.....	25,769,069	140	-	-
Due from Other Governmental Agencies.....	137,168,208	47,745,803	-	5,695,387
Estimated Withheld Income Taxes Receivable.....	33,360,802	-	-	-
Utility Users' Taxes Receivable.....	5,000,000	-	-	-
Other Receivables.....	25,289,378	2,164,405	-	2,947,580
Total Accounts and Contracts Receivable - Gross.....	315,751,002	63,709,551	1,150,000	15,253,226
Allowance for Uncollectible Accounts.....	(8,698,825)	(89,912)	-	(723,849)
Total Accounts and Contracts Receivable - Net.....	307,052,177	63,619,639	1,150,000	14,529,377
Loans and Advances to Other Funds.....	6,023,328	-	-	-
Land Contracts Receivable.....	12,105,648	-	-	-
Inventory-Forfeited Property.....	-	793,126	-	-
Inventories.....	36,735,742	4,385,315	-	-
Prepaid Expenses.....	-	131,627	-	-
Taxes, Interest and Penalties Receivable - Net.....	70,406,205	3,507,361	8,648,188	-
Other Advances.....	5,000	-	-	-
Loans and Advances to Component Units.....	-	421,210	-	-
Total Current Assets.....	470,293,945	166,618,840	9,957,063	138,118,439
Restricted Assets:				
Cash.....	19,481,802	5,167,981	1,643,109	-
Investments.....	50,000,000	6,184,385	-	44,362,481
Loans and Notes Receivable - Current.....	-	-	-	-
Loans and Notes Receivable - Noncurrent.....	-	-	-	-
Due from Other Funds.....	14,332,205	1,701,244	-	-
Due from Primary Government.....	-	-	-	-
Escrow Deposits.....	-	-	-	-
Prepaid Bond Expense.....	-	-	-	-
Other Receivables.....	-	97,814	-	-
Total Restricted Assets.....	83,814,007	13,151,424	1,643,109	44,362,481
Deferred Charges.....	-	-	-	-
Long-Term Assets - Unamortized Bond Issuance Costs.....	-	-	-	-
Long-Term Assets - Other.....	-	-	-	-
Property, Plant and Equipment - Net.....	-	-	-	-
Amounts Available for Long-Term Debt - Principal Only.....	-	-	-	-
Amounts to be Provided for General Long-Term Obligations.....	-	-	-	-
Total Assets and Other Debits.....	\$ 554,107,952	\$ 179,770,264	\$ 11,600,172	\$ 182,480,920

(Continued)

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-1

Detroit
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
2001

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total All Funds and Account Groups (Memorandum Only)		Total All Funds and Account Groups (Memorandum Only)	
	Retirement Systems and Trust and Agency	General Long-Term Obligations	General Fixed Assets	Primary Government	Component Units Total	Reporting Entity	
\$ 14,176,897	\$ 6,246,376	\$ -	\$ -	\$ 116,773,249	\$ 16,718,720	\$ 133,491,969	
-	6,294,692,875	-	-	6,294,692,875	-	6,294,692,875	
13,736,453	39,829,508	-	-	212,690,329	429,460,244	642,150,573	
89,047,404	22,308,057	-	-	222,078,468	-	222,078,468	
-	-	-	-	-	3,678,439	3,678,439	
-	-	-	-	25,769,209	-	25,769,209	
19,228,221	-	-	-	209,837,619	241,283,964	451,121,583	
-	-	-	-	33,360,802	-	33,360,802	
-	-	-	-	5,000,000	-	5,000,000	
266,107,801	348,029,386	-	-	644,538,550	91,707,244	736,245,794	
374,383,426	370,337,443	-	-	1,140,584,648	336,669,647	1,477,254,295	
(79,141,206)	-	-	-	(88,653,792)	(90,000)	(88,743,792)	
295,242,220	370,337,443	-	-	1,051,930,856	336,579,647	1,388,510,503	
-	-	-	-	6,023,328	-	6,023,328	
-	-	-	-	12,105,648	-	12,105,648	
-	-	-	-	793,126	-	793,126	
36,889,234	-	-	-	78,010,291	8,568,573	86,578,864	
1,436,647	-	-	-	1,568,274	383,231	1,951,505	
-	-	-	-	82,561,754	83,339,937	165,901,691	
-	-	-	-	5,000	-	5,000	
-	-	-	-	421,210	-	421,210	
361,481,451	6,711,106,202	-	-	7,857,575,940	875,050,352	8,732,626,292	
10,512,512	-	-	-	36,805,404	3,265,444	40,070,848	
708,764,779	-	-	-	809,311,645	269,554,150	1,078,865,795	
-	-	-	-	-	3,391,622	3,391,622	
-	-	-	-	-	91,410,535	91,410,535	
6,965,724	-	-	-	22,999,173	-	22,999,173	
-	-	-	-	-	1,298,394	1,298,394	
-	-	-	-	-	75,183,431	75,183,431	
15,372,716	-	-	-	15,372,716	-	15,372,716	
219,033	-	-	-	316,847	10,558,495	10,875,342	
741,834,764	-	-	-	884,805,785	454,662,071	1,339,467,856	
-	-	-	-	-	3,428,363	3,428,363	
32,809,949	-	-	-	32,809,949	9,822,319	42,632,268	
913,979	-	-	-	913,979	6,258,277	7,172,256	
3,525,809,559	-	-	1,667,607,977	5,193,417,536	1,321,958,023	6,515,375,559	
-	-	38,509,612	-	38,509,612	23,773,773	62,283,385	
-	-	1,099,857,435	-	1,099,857,435	973,698,615	2,073,556,050	
<u>\$ 4,662,849,702</u>	<u>\$ 6,711,106,202</u>	<u>\$ 1,138,367,047</u>	<u>\$ 1,667,607,977</u>	<u>\$ 15,107,890,236</u>	<u>\$ 3,668,651,793</u>	<u>\$ 18,776,542,029</u>	

(Continued)

EXHIBIT AAA-1

(Continued)

City of
COMBINED
ALL FUNDS, ACCOUNT GROUPS AND
June 30,

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Current Liabilities Payable from Current Assets:				
Bank Overdraft.....	\$ -	\$ 184,242	\$ -	\$ -
Accounts and Contracts Payable.....	22,387,734	29,195,080	-	22,285,051
Due to Other Funds.....	62,418,933	20,814,752	2,015,882	4,136,479
Loans and Other Advances from Other Funds.....	-	3,923,328	-	850,000
Due to Other Governmental Agencies.....	14,030,608	9,617,373	-	-
Due to Primary Government.....	-	-	-	-
Due to Component Units.....	4,976,833	-	-	-
Other Current Liabilities.....	148,085,524	20,872,626	288,384	2,721,157
Total Current Liabilities Payable from Current Assets.....	251,899,632	84,607,401	2,304,266	29,992,687
Current Liabilities Payable from Restricted Assets:				
Bonds and Notes Payable within One Year.....	-	-	-	-
Accrued Interest on Bonds and Notes Payable.....	-	-	-	-
Accounts and Contracts Payable.....	2,445,958	-	-	-
Loans and Other Advances from Primary Government.....	-	-	-	-
Due to Other Funds.....	304,352	-	-	-
Due to Primary Government.....	-	-	-	-
Other Liabilities.....	2,149,818	-	-	-
Total Current Liabilities from Restricted Assets.....	4,900,128	-	-	-
Bonds, Notes and Other Debt Payable - Noncurrent.....	-	-	-	-
Less Unamortized Discount.....	-	-	-	-
Bonds, Notes and Other Debt Payable - Noncurrent - Net of Unamortized Discount.....	-	-	-	-
Capital Leases Payable.....	-	-	-	-
Accrued Public Liability and Workers' Compensation.....	-	-	-	-
Other Long-Term Liabilities.....	-	-	-	-
Finance Obligation.....	-	-	-	-
Deferred Revenue.....	79,217,853	3,171,361	7,891,188	3,187,747
Total Liabilities.....	336,017,613	87,778,762	10,195,454	33,180,434
Equity and Other Credits:				
Contributed Capital, Net of Amortization.....	-	-	-	-
Investment in General Fixed Assets.....	-	-	-	-
Retained Earnings:				
Reserved.....	-	-	-	-
Unreserved.....	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Inventories.....	36,735,742	5,178,441	-	-
Reserved for Encumbrances.....	97,990,847	74,053,054	-	-
Reserved for Endowments and Trusts.....	-	10,669,016	-	-
Reserved for Budget Stabilization Fund.....	34,085,386	-	-	-
Reserved for Debt Service-Principal and Interest.....	-	-	-	38,509,612
Reserved for Advances and Loans.....	6,028,328	-	-	-
Net Assets Held in Trust for Employee Benefits.....	-	-	-	-
Other.....	-	-	1,354,725	-
Unreserved:				
Designated for Blue Cross Blue Shield Insured Program.....	24,816,673	-	-	-
Designated for Risk Management Operations.....	44,828,493	-	-	-
Designated for Debt Service - Principal and Interest.....	-	-	49,993	-
Designated for Capital Projects.....	-	-	-	110,790,874
Designated for Trust and Agency.....	-	-	-	-
Undesignated - Fund Balance (Deficit) from Operations.....	(26,395,130)	2,090,991	-	-
Total Fund Equity.....	218,090,339	91,991,502	1,404,718	149,300,486
Commitments and Contingencies				
Total Liabilities, Equity and Other Credits.....	\$ 554,107,952	\$ 179,770,264	\$ 11,600,172	\$ 182,480,920

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-1

(Continued)

Detroit

BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNITS

2001

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total All Funds and Account Groups (Memorandum Only)	Component Units Total	Total All Funds and Account Groups (Memorandum Only)
Enterprise	Retirement Systems and Trust and Agency	General Long-Term Obligations	General Fixed Assets	Primary Government		Reporting Entity
\$ -	\$ -	\$ -	\$ -	\$ 184,242	\$ -	\$ 184,242
40,950,482	463,505,349	-	-	578,323,696	76,327,556	654,651,252
126,769,392	4,752,731	-	-	220,908,169	-	220,908,169
1,250,000	-	-	-	6,023,328	-	6,023,328
979,203	-	-	-	24,627,184	565,903	25,193,087
-	-	-	-	-	222,211	222,211
-	-	-	-	4,976,833	-	4,976,833
49,517,273	38,649,829	-	-	260,134,793	132,350,075	392,484,868
219,466,350	506,907,909	-	-	1,095,178,245	209,465,745	1,304,643,990
48,430,174	-	-	-	48,430,174	176,768,740	225,198,914
42,316,860	-	-	-	42,316,860	3,173,896	45,490,756
79,766,190	-	-	-	82,212,148	84,767,733	166,979,881
-	-	-	-	-	421,210	421,210
23,865,120	-	-	-	24,169,472	-	24,169,472
-	-	-	-	-	25,546,998	25,546,998
9,480,352	-	-	-	11,630,170	-	11,630,170
203,858,696	-	-	-	208,758,824	290,678,577	499,437,401
2,567,571,398	-	827,970,227	-	3,395,541,625	1,197,436,256	4,592,977,881
(79,059,486)	-	-	-	(79,059,486)	(6,178,632)	(85,238,118)
2,488,511,912	-	827,970,227	-	3,316,482,139	1,191,257,624	4,507,739,763
-	-	-	-	-	2,882,515	2,882,515
45,468,640	-	-	-	45,468,640	-	45,468,640
17,197,086	-	310,396,820	-	327,593,906	216,955,037	544,548,943
-	-	-	-	-	155,161,921	155,161,921
-	-	-	-	93,468,149	140,229,574	233,697,723
2,974,502,684	506,907,909	1,138,367,047	-	5,086,949,903	2,206,630,993	7,293,580,896
1,170,328,193	-	-	-	1,170,328,193	97,299,972	1,267,628,165
-	-	-	1,667,607,977	1,667,607,977	831,580,166	2,499,188,143
68,894,393	-	-	-	68,894,393	4,329,757	73,224,150
449,124,432	-	-	-	449,124,432	31,942,368	481,066,800
-	-	-	-	41,914,183	-	41,914,183
-	-	-	-	172,043,901	-	172,043,901
-	-	-	-	10,669,016	-	10,669,016
-	-	-	-	34,085,386	-	34,085,386
-	-	-	-	38,509,612	-	38,509,612
-	-	-	-	6,028,328	-	6,028,328
-	6,174,631,302	-	-	6,174,631,302	-	6,174,631,302
-	-	-	-	1,354,725	231,744,165	233,098,890
-	-	-	-	24,816,673	-	24,816,673
-	-	-	-	44,828,493	-	44,828,493
-	-	-	-	49,993	-	49,993
-	-	-	-	110,790,874	-	110,790,874
-	29,566,991	-	-	29,566,991	-	29,566,991
-	-	-	-	(24,304,139)	265,124,372	240,820,233
1,688,347,018	6,204,198,293	-	1,667,607,977	10,020,940,333	1,462,020,800	11,482,961,133
\$ 4,662,849,702	\$ 6,711,106,202	\$ 1,138,367,047	\$ 1,667,607,977	\$ 15,107,890,236	\$ 3,668,651,793	\$ 18,776,542,029

EXHIBIT AAA-2

City of **COMBINED STATEMENT OF REVENUES, ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST** For the Year Ended

	Governmental Fund		
	General	Special Revenue	Debt Service
Revenues:			
Taxes, Assessments, Interest and Penalties.....	\$ 654,408,202	\$ 25,922,264	\$ 61,605,291
Licenses, Permits, and Inspection Charges.....	10,061,177	18,763,059	-
Shared Taxes and Grants.....	411,159,250	309,446,901	-
Sales and Charges for Services.....	185,856,472	(124,563)	-
Contributions.....	-	-	-
Ordinance Fines.....	18,520,006	3,631,397	-
Revenues from Use of Assets.....	41,009,890	4,002,947	4,948,022
Other Revenues.....	47,869,914	41,359,595	39,422
Total Revenues.....	1,368,884,911	403,001,600	66,592,735
Expenditures:			
Public Protection.....	595,648,595	3,074,811	-
Health.....	88,972,813	81,729,850	-
Education.....	-	49,543,144	-
Recreation and Culture.....	67,393,419	-	-
Economic Development.....	25,867,458	111,352,471	-
Transportation.....	-	15,786,893	-
Housing Supply and Conditions.....	18,632,798	77,759,748	-
Physical Environment.....	275,368,548	-	-
Management.....	250,911,948	-	-
Trust and Agency Expenditures.....	-	-	-
Capital Outlay.....	-	-	-
Debt Service.....	-	-	126,981,078
Total Expenditures.....	1,322,795,579	339,246,917	126,981,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,089,332	63,754,683	(60,388,343)
Other Financing Sources (Uses):			
Other Financing Sources:			
Transfers In:			
General Fund.....	-	11,517,759	45,988,298
Special Revenue Funds.....	57,858,685	11,810,256	1,877,676
Capital Projects Funds.....	-	-	16,084,365
Trust and Agency Funds.....	349,875	-	-
Primary Government.....	-	-	-
Component Units.....	32,246,383	-	-
Operating Transfer.....	-	-	-
Total Other Financing Sources.....	90,454,943	23,328,015	63,950,339
Other Financing Uses:			
Transfers Out:			
General Fund.....	-	57,858,685	-
Special Revenue Funds.....	11,517,759	11,810,256	-
Enterprise Funds.....	76,079,213	-	-
Capital Projects Funds.....	6,588,428	-	-
General Debt Service Fund.....	45,988,298	1,877,676	-
Primary Government.....	-	-	-
Component Units.....	25,769,928	2,392,432	4,195,731
Operating Transfer.....	-	-	-
Total Other Financing Uses.....	165,943,626	73,939,049	4,195,731
Total Other Financing Sources (Uses).....	(75,488,683)	(50,611,034)	59,754,608
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses.....	(29,399,351)	13,143,649	(633,735)
Fund Balances at Beginning of Year as Previously Stated.....	217,086,342	70,499,878	2,038,453
Prior Period Adjustment.....	32,934,398	8,017,935	-
Fund Balances at Beginning of Year as Adjusted.....	250,020,740	78,517,813	2,038,453
Increase (Decrease) in Reserve for Inventories.....	(2,531,050)	330,040	-
Fund Balances at End of Year.....	\$ 218,090,339	\$ 91,991,502	\$ 1,404,718

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-2

Detroit
EXPENDITURES AND CHANGES IN FUND BALANCES
FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2001

Types	Fiduciary Fund Type	Total	Governmental	Total
Capital Projects	Trust Funds	(Memorandum Only) Primary Government	Component Units	(Memorandum Only) Reporting Entity
\$ -	\$ -	\$ 741,935,757	\$ 139,323,284	\$ 881,259,041
-	-	28,824,236	-	28,824,236
39,462,547	-	760,068,698	1,375,835,292	2,135,903,990
-	-	185,731,909	-	185,731,909
-	210,330,080	210,330,080	1,048,552	211,378,632
-	-	22,151,403	-	22,151,403
10,580,454	2,959,719	63,501,032	22,151,151	85,652,183
317,812	-	89,586,743	153,275,743	242,862,486
50,360,813	213,289,799	2,102,129,858	1,691,634,022	3,793,763,880
-	-	598,723,406	-	598,723,406
-	-	170,702,663	-	170,702,663
-	-	49,543,144	1,525,638,861	1,575,182,005
-	-	67,393,419	-	67,393,419
-	-	137,219,929	163,554,736	300,774,665
-	-	15,786,893	-	15,786,893
-	-	96,392,546	-	96,392,546
-	-	275,368,548	-	275,368,548
-	-	250,911,948	-	250,911,948
-	212,419,693	212,419,693	-	212,419,693
145,425,727	-	145,425,727	117,775,630	263,201,357
-	-	126,981,078	68,371,689	195,352,767
145,425,727	212,419,693	2,146,868,994	1,875,340,916	4,022,209,910
(95,064,914)	870,106	(44,739,136)	(183,706,894)	(228,446,030)
6,588,428	-	64,094,485	-	64,094,485
-	-	71,546,617	-	71,546,617
-	-	16,084,365	-	16,084,365
-	-	349,875	-	349,875
-	-	-	23,800,244	23,800,244
-	-	32,246,383	-	32,246,383
-	-	-	6,649,053	6,649,053
6,588,428	-	184,321,725	30,449,297	214,771,022
-	349,875	58,208,560	-	58,208,560
-	-	23,328,015	-	23,328,015
2,104,452	-	78,183,665	-	78,183,665
-	-	6,588,428	-	6,588,428
16,084,365	-	63,950,339	-	63,950,339
-	-	-	32,246,383	32,246,383
-	-	32,358,091	-	32,358,091
-	-	-	6,649,053	6,649,053
18,188,817	349,875	262,617,098	38,895,436	301,512,534
(11,600,389)	(349,875)	(78,295,373)	(8,446,139)	(86,741,512)
(106,665,303)	520,231	(123,034,509)	(192,153,033)	(315,187,542)
255,965,789	61,981,158	607,571,620	689,021,570	1,296,593,190
-	(32,934,398)	8,017,935	-	8,017,935
255,965,789	29,046,760	615,589,555	689,021,570	1,304,611,125
-	-	(2,201,010)	-	(2,201,010)
\$ 149,300,486	\$ 29,566,991	\$ 490,354,036	\$ 496,868,537	\$ 987,222,573

EXHIBIT AAA-3

City of
COMBINED STATEMENT OF REVENUES, EXPENDITURES
GENERAL, SPECIAL REVENUE
For the Year Ended

	General Fund			Special
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget
Revenues:				
Taxes, Assessments, Interest and Penalties.....	\$ 709,949,086	\$ 654,408,202	\$ (55,540,884)	\$ 26,883,486
Licenses, Permits, and Inspection Charges.....	9,356,132	10,061,177	705,045	17,190,000
Shared Taxes and Grants.....	515,582,429	411,159,250	(104,423,179)	561,986,557
Sales and Charges for Services.....	172,813,810	185,856,472	13,042,662	2,380,000
Ordinance Fines.....	16,873,000	18,520,006	1,647,006	3,307,819
Revenues from Use of Assets.....	30,201,160	41,009,890	10,808,730	3,224,253
Other Revenues.....	72,758,953	47,869,914	(24,889,039)	104,685,574
Total Revenues.....	1,527,534,570	1,368,884,911	(158,649,659)	719,657,689
Expenditures:				
Public Protection.....	636,443,097	595,648,595	40,794,502	7,981,994
Health.....	146,014,415	88,972,813	57,041,602	73,165,815
Education.....	-	-	-	68,590,135
Recreation and Culture.....	100,126,720	67,393,419	32,733,301	-
Economic Development.....	26,433,238	25,867,458	565,780	269,768,463
Transportation.....	-	-	-	96,758,111
Housing Supply and Conditions.....	23,691,574	18,632,798	5,058,776	198,115,107
Physical Environment.....	309,928,198	275,368,548	34,559,650	-
Management.....	358,332,032	250,911,948	107,420,084	-
Debt Service:				
Principal.....	-	-	-	-
Interest and Other Charges.....	-	-	-	-
Total Expenditures.....	1,600,969,274	1,322,795,579	278,173,695	714,379,625
Excess (Deficiency) of Revenues Over (Under) and Expenditures.....	(73,434,704)	46,089,332	119,524,036	5,278,064
Other Financing Sources (Uses):				
Operating Transfers In.....	79,231,231	90,454,943	11,223,712	28,685,375
Operating Transfers Out.....	185,980,377	165,943,626	20,036,751	100,162,834
Total Other Financing Sources (Uses).....	(106,749,146)	(75,488,683)	31,260,463	(71,477,459)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(180,183,850)	(29,399,351)	150,784,499	(66,199,395)
Fund Balances at Beginning of Year as Previously Stated.....	147,249,452	217,086,342	69,836,890	66,199,395
Prior Period Adjustment.....	32,934,398	32,934,398	-	-
Fund Balances at Beginning of Year as Adjusted.....	180,183,850	250,020,740	69,836,890	66,199,395
Increase (Decrease) in Reserve for Inventories.....	-	(2,531,050)	(2,531,050)	-
Fund Balances at End of Year.....	\$ -	\$ 218,090,339	\$ 218,090,339	\$ -

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-3

Detroit

AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

AND DEBT SERVICE FUND

June 30, 2001

Revenue Funds		Debt Service Fund			Total (Memorandum Only)		
Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 25,922,264	\$ (961,222)	\$ 63,482,927	\$ 61,605,291	\$ (1,877,636)	\$ 800,315,499	\$ 741,935,757	\$ (58,379,742)
18,763,059	1,573,059	-	-	-	26,546,132	28,824,236	2,278,104
309,446,901	(252,539,656)	-	-	-	1,077,568,986	720,606,151	(356,962,835)
(124,563)	(2,504,563)	-	-	-	175,193,810	185,731,909	10,538,099
3,631,397	323,578	-	-	-	20,180,819	22,151,403	1,970,584
4,002,947	778,694	-	4,948,022	4,948,022	33,425,413	49,960,859	16,535,446
41,359,595	(63,325,979)	1,161,564	39,422	(1,122,142)	178,606,091	89,268,931	(89,337,160)
403,001,600	(316,656,089)	64,644,491	66,592,735	1,948,244	2,311,836,750	1,838,479,246	(473,357,504)
3,074,811	4,907,183	-	-	-	644,425,091	598,723,406	45,701,685
81,729,850	(8,564,035)	-	-	-	219,180,230	170,702,663	48,477,567
49,543,144	19,046,991	-	-	-	68,590,135	49,543,144	19,046,991
-	-	-	-	-	100,126,720	67,393,419	32,733,301
111,352,471	158,415,992	-	-	-	296,201,701	137,219,929	158,981,772
15,786,893	80,971,218	-	-	-	96,758,111	15,786,893	80,971,218
77,759,748	120,355,359	-	-	-	221,806,681	96,392,546	125,414,135
-	-	-	-	-	309,928,198	275,368,548	34,559,650
-	-	-	-	-	358,332,032	250,911,948	107,420,084
-	-	76,617,375	79,318,892	(2,701,517)	76,617,375	79,318,892	(2,701,517)
-	-	51,969,311	47,662,186	4,307,125	51,969,311	47,662,186	4,307,125
339,246,917	375,132,708	128,586,686	126,981,078	1,605,608	2,443,935,585	1,789,023,574	654,912,011
63,754,683	58,476,619	(63,942,195)	(60,388,343)	3,553,852	(132,098,835)	49,455,672	181,554,507
23,328,015	(5,357,360)	66,248,467	63,950,339	(2,298,128)	174,165,073	177,733,297	3,568,224
73,939,049	26,223,785	4,344,725	4,195,731	148,994	290,487,936	244,078,406	46,409,530
(50,611,034)	20,866,425	61,903,742	59,754,608	(2,149,134)	(116,322,863)	(66,345,109)	49,977,754
13,143,649	79,343,044	(2,038,453)	(633,735)	1,404,718	(248,421,698)	(16,889,437)	231,532,261
70,499,878	4,300,483	2,038,453	2,038,453	-	215,487,300	289,624,673	74,137,373
8,017,935	8,017,935	-	-	-	32,934,398	40,952,333	8,017,935
78,517,813	12,318,418	2,038,453	2,038,453	-	248,421,698	330,577,006	82,155,308
330,040	330,040	-	-	-	-	(2,201,010)	(2,201,010)
\$ 91,991,502	\$ 91,991,502	\$ -	\$ 1,404,718	\$ 1,404,718	\$ -	\$ 311,486,559	\$ 311,486,559

EXHIBIT AAA-4

City of Detroit
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN EQUITY —
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2001

	Proprietary Fund Types		Total
	Primary		(Memorandum Only)
	Government	Component Units	Reporting Entity
Operating Revenues:			
Charges for Services.....	\$ 533,180,021	\$ 108,615,059	\$ 641,795,080
Miscellaneous.....	11,972,111	-	11,972,111
Total Operating Revenues.....	545,152,132	108,615,059	653,767,191
Operating Expenses:			
Proprietary Funds.....	559,326,526	68,170,613	627,497,139
Total Operating Income Before Depreciation.....	(14,174,394)	40,444,446	26,270,052
Depreciation.....	(108,335,134)	(21,999,835)	(130,334,969)
Operating Income (Loss).....	(122,509,528)	18,444,611	(104,064,917)
Non-Operating Revenues (Expenses):			
Earnings on Investments.....	36,454,858	17,456,678	53,911,536
Unrealized Gain on Investments.....	2,613,155	587,951	3,201,106
Contributions.....	69,110,971	-	69,110,971
Other Revenues.....	3,895,461	763,490	4,658,951
Interest on Bonds and Notes Payable.....	(78,224,153)	(31,519,413)	(109,743,566)
Loss on Disposal of Assets.....	(11,842,718)	-	(11,842,718)
Other Expenses.....	(1,663,207)	-	(1,663,207)
Total Non Operating Revenues (Expenses).....	20,344,367	(12,711,294)	7,633,073
Net Income (Loss) Before Transfers and Capital Contributions.....	(102,165,161)	5,733,317	(96,431,844)
Operating Transfers In — Other Funds.....	76,079,213	-	76,079,213
Operating Transfers In — Primary Government.....	-	8,557,847	8,557,847
Capital Contributions.....	56,459,509	-	56,459,509
Net Income.....	30,373,561	14,291,164	44,664,725
Depreciation on Fixed Assets Acquired by Contributed Capital.....	34,373,342	6,974,700	41,348,042
Increase in Retained Earnings.....	64,746,903	21,265,864	86,012,767
Retained Earnings, Beginning of Year as Previously Stated.....	460,341,032	14,296,321	474,637,353
Prior Period Adjustments.....	(7,069,110)	709,940	(6,359,170)
Retained Earnings, Beginning of Year as Adjusted.....	453,271,922	15,006,261	468,278,183
Retained Earnings, End of Year.....	518,018,825	36,272,125	554,290,950
Contributed Capital:			
Contributed Capital, Beginning of Year.....	1,204,701,535	104,274,672	1,308,976,207
Less Depreciation of Fixed Assets Acquired by Contributed Capital	(34,373,342)	(6,974,700)	(41,348,042)
Contributed Capital at End of Year.....	1,170,328,193	97,299,972	1,267,628,165
Equity at End of Year.....	\$ 1,688,347,018	\$ 133,572,097	\$ 1,821,919,115

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-5

City of Detroit
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2001

	Proprietary Fund Types		Total
	Primary Government	Component Units	(Memorandum Only) Reporting Entity
Operating Income (Loss).....	\$ (122,509,528)	\$ 18,444,611	\$ (104,064,917)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Depreciation.....	108,335,134	21,999,835	130,334,969
Provision for Uncollectible Accounts.....	17,453,542	-	17,453,542
Loss on Disposal of Assets.....	1,801,342	-	1,801,342
Amortization of Bond Discount and Issuance.....	5,452,175	1,259,343	6,711,518
Unrealized Gain on Investments.....	2,613,155	-	2,613,155
Other.....	9,006,778	763,490	9,770,268
Changes in Certain Assets and Liabilities:			
Due from Other Funds.....	(5,402,168)	-	(5,402,168)
Due from Governmental Agencies.....	614,098	(915,310)	(301,212)
Due from Component Units.....	(167,867)	-	(167,867)
Other Receivables.....	(37,913,981)	1,942,985	(35,970,996)
Inventories.....	(6,805,180)	(248,487)	(7,053,667)
Prepaid Expenses.....	(1,230,774)	836,696	(394,078)
Other Assets.....	(15,372,716)	-	(15,372,716)
Accounts and Contracts Payable.....	(17,128,929)	4,284,873	(12,844,056)
Due to Other Funds.....	7,846,780	-	7,846,780
Prepaid Revenue.....	(20,000)	-	(20,000)
Refundable Deposits.....	4,957	-	4,957
Due to Other Governmental Agencies.....	(6,744,854)	508,878	(6,235,976)
Other Assets.....	-	592,980	592,980
Other Liabilities.....	(14,407,368)	-	(14,407,368)
Accrued Public Liability and Workers' Compensation.....	(3,295,230)	-	(3,295,230)
Deferred Revenue.....	6,362	316,329	322,691
Net Cash Provided by (Used In) Operating Activities.....	(77,864,272)	49,786,223	(28,078,049)
Cash Flows from Non-Capital Financing Activities:			
Contributions from Other Governments.....	67,355,489	-	67,355,489
Transfers from Other Funds.....	76,139,695	-	76,139,695
Transfers from Primary Government.....	-	8,557,847	8,557,847
Net Cash Provided by Non-Capital Financing Activities.....	143,495,184	8,557,847	152,053,031
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions.....	58,304,036	-	58,304,036
Acquisition and Construction of Capital Assets.....	(588,863,321)	8,249	(588,855,072)
Proceeds from Bond and Note Issuances.....	676,338,813	-	676,338,813
Principal Paid on Bond Maturities.....	(42,438,966)	(35,525,000)	(77,963,966)
Interest Paid on Bonds - Net.....	(121,421,534)	(31,666,781)	(153,088,315)
Principal Paid on Refunded Debts.....	(177,640,000)	-	(177,640,000)
Net Cash Used in Capital and Related Financing Activities.....	(195,720,972)	(67,183,532)	(262,904,504)
Cash Flows from Investing Activities:			
Insurance Proceeds.....	-	(210,321)	(210,321)
Sales (Purchases) of Investments and Maturities - Net.....	98,434,564	(15,821,746)	82,612,818
Proceeds from Sale Leaseback Financing Transaction - Net.....	-	3,484,349	3,484,349
Interest on Investment Securities.....	36,454,858	17,678,501	54,133,359
Net Cash Provided by Capital and Investing Activities.....	134,889,422	5,130,783	140,020,205
Net Increase (Decrease) in Cash.....	4,799,362	(3,708,679)	1,090,683
Cash at Beginning of Year.....	19,890,047	4,908,089	24,798,136
Cash at End of Year.....	\$ 24,689,409	\$ 1,199,410	\$ 25,888,819

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA - 6

City of Detroit
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2001

	Retirement Systems 2001
<hr/>	
Additions:	
City Contributions.....	\$ 82,582,917
Member's Contributions.....	35,779,442
Total Contributions.....	<hr/> 118,362,359
Investment Loss.....	(592,744,286)
Total Reductions.....	<hr/> (474,381,927)
 Deductions:	
Pension and Annuity Benefits.....	424,589,658
General and Administrative Expenses.....	6,297,394
Refunds.....	<hr/> 100,937,363
Total Deductions.....	531,824,415
 Net Decrease.....	 <hr/> (1,006,206,342)
 Net Assets Held in Trust for Pension Benefits, Beginning of Year.....	 7,180,837,644
 Net Assets Held in Trust for Pension Benefits, End of Year.....	 <hr/> <hr/> \$ 6,174,631,302

The accompanying notes are an integral part of the financial statements.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A – Reporting Entity:

The City of Detroit (the City), incorporated in 1806, is a home rule city under State law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, housing, airport, and parking.

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units: The financial statements of component units have been included in the financial reporting entity either as a blended component unit or discretely presented component unit.

Blended Component Unit: For financial reporting purposes, the City of Detroit Building Authority (DBA) is included in the operations and activities of the City because it was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining a building or buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings), recreational facilities, and the necessary site or sites together with appurtenant properties and facilities necessary or convenient for the effective use thereof, all for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.

Discretely Presented Component Units: Component units which are not blended as part of the primary government are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units presented in this manner are the following:

Downtown Development Authority (DDA): The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of one mill on real and personal property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

Economic Development Corporation (EDC): The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

Local Development Finance Authority (LDFA): The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. The LDFA is primarily funded by incremental portions of the City and the County of Wayne (the County) property taxes.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

Museum of African American History (MAAH): The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent, and the human struggle for freedom. The MAAH is primarily funded by means of private grants and grants from the City.

School District of the City of Detroit (the District): The District is a statutory body created by the State of Michigan and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 7.0 mills (homestead properties) and 25.0 mills (non-homestead) on real and personal property in the City and a “foundation allowance” provided by the State of Michigan.

Tax Increment Finance Authority (TIFA): The TIFA was created to acquire property and provide financing for industrial development programs through issuance of long-term debt secured by a tax increment financing plan.

Detroit Transportation Corporation (DTC): The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is primarily funded by means of grants from the City.

Greater Detroit Resource Recovery Authority (GDRRA): The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The financing was provided by the issuance of revenue bonds.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Administrative Offices

Downtown Development Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

School District of the City of Detroit
5057 Woodward
Detroit, MI 48202
(313) 494-1000

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Tax Increment Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Local Development Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Detroit Transportation Corporation
1420 Washington Blvd., 3rd Floor
Detroit, MI 48226
(313) 224-2160

Museum of African American History
315 East Warren Avenue
Detroit, MI 48201
(313) 494-5800

Greater Detroit Resource Recovery Authority
5700 Russell St.
Detroit, MI 48211
(313) 876-0449

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

Condensed Financial Statements: The following are the condensed financial statements as of and for the year ended June 30, 2001 for each of the discretely presented Component Units.

Condensed Balance Sheet:

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Museum of African American History
Assets:				
Current Assets.....	\$ 137,427,583	\$ 313,854	\$ -	\$ 766,789
Restricted Assets.....	76,382,181	121,259,068	18,859,167	-
Deferred Charges.....	-	-	-	-
Long -Term Assets.....	4,117,876	-	-	-
Property - Net.....	8,817,631	-	-	686,821
Amounts Available for Long -Term Debt - Principal Only.....	-	-	-	-
Amount to be Provided for General Long -Term Obligations.....	207,444,198	14,014,838	96,520,000	-
Total Assets.....	\$ 434,189,469	\$ 135,587,760	\$ 115,379,167	\$ 1,453,610
Liabilities:				
Current Liabilities.....	\$ 9,376,218	\$ 58,650	\$ -	\$ 1,752,456
Restricted Liabilities.....	-	68,740,856	-	-
Non-Current Debt Payable-Net.....	205,670,255	14,014,838	96,520,000	-
Other Long -Term Liabilities.....	16,420	-	-	-
Capital Leases Payable.....	-	-	-	-
Deferred Revenue.....	-	16,164,594	-	-
Total Liabilities.....	215,062,893	98,978,938	96,520,000	1,752,456
Fund Equity and Other Credits:				
Contributed Capital - Net.....	-	-	-	-
Investments in General Fixed Assets.....	8,817,631	-	-	686,821
Retained Earnings (Deficit) :				
Reserved.....	-	-	-	-
Unreserved.....	-	-	-	-
Fund Balance (Deficit):				
Reserved.....	-	22,338,780	-	-
Unreserved.....	210,308,945	14,270,042	18,859,167	(985,667)
Total Equity and Other Credits.....	219,126,576	36,608,822	18,859,167	(298,846)
Total Liabilities, Fund Equity and Other Credits.....	\$ 434,189,469	\$ 135,587,760	\$ 115,379,167	\$ 1,453,610

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

School District of the City of Detroit	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
\$ 726,889,149	\$ -	\$ 9,652,977	\$ -	\$ 875,050,352
-	24,266,920	7,329,757	206,564,978	454,662,071
-	-	-	3,428,363	3,428,363
-	-	-	11,962,720	16,080,596
822,075,714	-	96,301,903	394,075,954	1,321,958,023
23,773,773	-	-	-	23,773,773
655,719,579	-	-	-	973,698,615
<u>\$ 2,228,458,215</u>	<u>\$ 24,266,920</u>	<u>\$ 113,284,637</u>	<u>\$ 616,032,015</u>	<u>\$ 3,668,651,793</u>
\$ 195,196,690	\$ -	\$ 3,081,731	\$ -	\$ 209,465,745
176,768,740	24,266,920	3,000,000	17,902,061	290,678,577
459,672,220	-	-	415,380,311	1,191,257,624
216,938,617	-	-	155,161,921	372,116,958
2,882,515	-	-	-	2,882,515
122,846,449	-	1,218,531	-	140,229,574
1,174,305,231	24,266,920	7,300,262	588,444,293	2,206,630,993
-	-	97,299,972	-	97,299,972
822,075,714	-	-	-	831,580,166
-	-	4,329,757	-	4,329,757
-	-	4,354,646	27,587,722	31,942,368
209,405,385	-	-	-	231,744,165
22,671,885	-	-	-	265,124,372
1,054,152,984	-	105,984,375	27,587,722	1,462,020,800
<u>\$ 2,228,458,215</u>	<u>\$ 24,266,920</u>	<u>\$ 113,284,637</u>	<u>\$ 616,032,015</u>	<u>\$ 3,668,651,793</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

Receivable and payable balances between the primary government and Component Units at June 30, 2001 were as follows:

	Economic Development Corporation	Greater Detroit Resource Recovery Authority	Detroit Transportation Corporation	Total
Due from Primary Government:				
Current Assets.....	\$ 50,000	\$ -	\$ 3,628,439	\$ 3,678,439
Restricted Assets.....	1,298,394	-	-	1,298,394
Total Due from Primary Government.....	\$ 1,348,394	\$ -	\$ 3,628,439	\$ 4,976,833
Due to Primary Government:				
Payable from Current Assets.....	\$ -	\$ -	\$ 222,211	\$ 222,211
Payable from Restricted Assets.....	-	25,546,998	-	25,546,998
Total Due to Primary Government.....	\$ -	\$ 25,546,998	\$ 222,211	\$ 25,769,209

Condensed Statement of Revenues, Expenditures and Changes in Fund Equity for the Year ended June 30, 2001 for Governmental Component Units:

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Museum of African American History	School District of the City of Detroit	Tax Increment Finance Authority	Total
Revenues.....	\$ 36,636,073	\$ 81,687,285	\$ 7,389,155	\$ 2,837,979	\$ 1,554,100,258	\$ 8,983,272	\$ 1,691,634,022
Expenditures.....	90,492,640	84,089,536	9,248,825	7,026,805	1,683,274,546	1,208,564	1,875,340,916
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(53,856,567)	(2,402,251)	(1,859,670)	(4,188,826)	(129,174,288)	7,774,708	(183,706,894)
Other Financing Sources:							
Transfer from Primary Government.....	11,403,012	-	4,610,324	2,224,072	-	5,562,836	23,800,244
Operating Transfer in.....	-	-	-	-	6,649,053	-	6,649,053
Total Other Financing Sources.....	11,403,012	-	4,610,324	2,224,072	6,649,053	5,562,836	30,449,297
Other Financing Uses:							
Transfer to Primary Government.....	-	-	-	-	-	32,246,383	32,246,383
Operating Transfer out.....	-	-	-	-	6,649,053	-	6,649,053
Total Other Financing Uses.....	-	-	-	-	6,649,053	32,246,383	38,895,436
Total Other Financing Sources (Uses).....	11,403,012	-	4,610,324	2,224,072	-	(26,683,547)	(8,446,139)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financial Uses.....	(42,453,555)	(2,402,251)	2,750,654	(1,964,754)	(129,174,288)	(18,908,839)	(192,153,033)
Fund Equity at Beginning of Year.....	252,762,500	39,011,073	16,108,513	979,087	361,251,558	18,908,839	689,021,570
Fund Equity at End of Year.....	\$ 210,308,945	\$ 36,608,822	\$ 18,859,167	\$ (985,667)	\$ 232,077,270	\$ -	\$ 496,868,537

Condensed Statement of Revenues, Expenses and Changes in Retained Earnings for the Year ended June 30, 2001 for Proprietary Component Units:

	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
Operating Revenues.....	\$ 722,162	\$ 107,892,897	\$ 108,615,059
Operating Expenses:			
Depreciation.....	7,274,375	14,725,460	21,999,835
Other.....	9,595,800	58,574,813	68,170,613
Operating Income (Loss).....	(16,148,013)	34,592,624	18,444,611
Non-Operating Revenues (Expenses) - Net.....	1,491,427	(14,202,721)	(12,711,294)
Operating Transfers from Primary Government.....	8,557,847	-	8,557,847
Net Income (Loss).....	(6,098,739)	20,389,903	14,291,164
Depreciation of Fixed Assets Acquired by Grants.....	6,974,700	-	6,974,700
Increase in Operations.....	875,961	20,389,903	21,265,864
Accumulated Retained Earnings - Beginning of Year, as Previously Reported.....	7,098,502	7,197,819	14,296,321
Prior Period Adjustment.....	709,940	-	709,940
Accumulated Retained Earnings - Beginning of Year, as Adjusted.....	7,808,442	7,197,819	15,006,261
Accumulated Retained Earnings - End of Year.....	8,684,403	27,587,722	36,272,125
Contributed Capital - Beginning of Year.....	104,274,672	-	104,274,672
Depreciation of Fixed Assets Acquired by Contributed Capital.....	(6,974,700)	-	(6,974,700)
Contributed Capital - End of Year.....	97,299,972	-	97,299,972
Total Equity - End of Year.....	\$ 105,984,375	\$ 27,587,722	\$ 133,572,097

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Reporting Entity, Continued:

Joint Venture: The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and the County. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and the holders of the bonds. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the space in the Coleman A. Young Municipal Center was transferred to the City. As a result, the fixed asset costs are recorded within the City's General Fixed Assets Account Group.

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease.

Complete financial statements of the DWJBA may be obtained by writing the DWJBA at the following address:

Detroit-Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center
Detroit, MI 48226

B – Measurement Focus, Basis of Accounting, and Basis of Presentation:

Basis of Presentation — Fund Accounting: Limitations and restrictions are placed on the various resources made available to the City. The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is intended to aid management in demonstrating compliance with finance – related legal and contractual provisions. The minimum number of funds that are maintained should be consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental Funds:

Governmental fund types are used to account for the City's general governmental activities that are controlled by legally required budgets. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual method, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or as soon enough thereafter to pay liabilities of the current period.

Expenditures are recognized in the accounting period in which the liability is incurred, except expenditures for debt service on long-term debt and other long-term obligations, which are recognized when paid.

Governmental funds include the following types:

The *General Fund* accounts for all financial resources and expenditures except those required to be accounted for in other funds. The General Fund is the City's primary operating fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than Expendable Trusts or major Capital Projects) requiring separate accounting because of legal or regulatory restrictions or administrative action. These operations are accounted for in the Community Development Block Grant, Construction Code,

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

B – Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued:

Detroit Building Authority, Drug Law Enforcement, Empowerment Zone Fund, Federal Employment and Training, Human Services, Library, Major and Local Street, and Supportive Housing Programs and Homeless Initiatives Funds.

The *Debt Service Fund* accounts for the servicing of general long-term obligations not being financed by proprietary or similar trust funds.

The *Capital Projects Funds* account for the acquisition, construction, and renovation of facilities and other infrastructure projects. These operations are accounted for in the Capital Projects, and the Urban Renewal Funds.

Proprietary Funds:

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations. These operations are accounted for in the Airport, Automobile Parking, Housing, Sewage Disposal, Transportation, and Water funds.

Fiduciary Funds:

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust fund accounts for assets held by the City under the terms of a formal trust agreement. Fiduciary funds include the following:

- *Retirement Systems:* To account for contributions received, invested, and expended for the General Retirement System and the Policemen and Firemen Retirement System.
- *Trust and Agency Funds:* Trust funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets that the City holds for others in an agency capacity. Trust and Agency Funds are comprised of four funds (Employee Benefit, Employees Disability Income Protection, Condemnation Awards, and Other Trust Funds).

Account Groups:

- *General Fixed Assets Account Group:* This account group is used to account for fixed assets not accounted for in the proprietary or trust funds.
- *General Long-term Debt Account Group:* This account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, funds must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized when qualifying expenditures are incurred. In the other, funds are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements. These funds are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

B – Measurement Focus, Basis of Accounting and Basis of Presentation, Continued:

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, including the 60 day period after year end, because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The Proprietary Funds and the Retirement Systems utilize the accrual basis of accounting.

As allowed by GASB Statement No. 20, the City's proprietary funds follow Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Litigation and Claims: The City's policy is to accrue for settlements or judgments on lawsuits and other claims as expenditures when the amount of the liability is probable and reasonably estimable. The Governmental Funds include a provision for liabilities incurred during the current fiscal year or settled or adjudicated during the first 60 days subsequent to year end in the related Governmental Funds' financial statements. The Governmental Fund type liabilities not liquidated or adjudicated 60 days subsequent to year end were estimated to approximate \$152 million at June 30, 2001 and are accounted for in the General Long-Term Obligations Account Group. Both the current and non-current portions of such liabilities for Proprietary Funds are included in the financial statements of the applicable Funds (Please see Notes IV A and B for additional information regarding litigation and claims).

Capitalized Interest: The Enterprise Funds capitalize qualifying net interest costs on bonds issued for capital construction in accordance with Statement of Financial Accounting Standards Nos. 34 and 62. Capitalized interest for the year ended June 30, 2001 for the Sewage Disposal and Water funds was \$17,793,840 and \$15,776,025, respectively.

C – Assets, Liabilities, and Equity:

1. **Cash and Investments:** Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are valued at their fair value plus accrued interest in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Statement of Cash Flows: For purposes of reporting cash flows, the City considers "cash" as cash on deposit in financial institutions, including restricted assets.

2. **Interfund Receivables and Payables:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

Non-recurring or non-routine transfers of equity between funds are reported as additions to or deductions from the fund balance of Governmental Funds. Transfers of equity to Proprietary Funds are treated as capital contributions as appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary funds.

3. **Inventories:** Cost of inventories of the governmental type funds is recorded as expenditures at the time of purchase. Inventories at year end for the General, Construction Code, Drug Law Enforcement Fund, Library, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Assets, Liabilities, and Equity, Continued:

on a physical inventory, with a Reserve for Inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.

- 4. Restricted Assets and Retained Earnings — Reserved:** Restricted assets are accumulated in each fund, in accordance with bond ordinance provisions or other restrictive covenants. Reserved retained earnings represent the excess of restricted assets, except bond proceeds, over related liabilities payable there from.
- 5. Fixed Assets and Long-Term Liabilities:** The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available resources” during a period.

Fixed assets used in Governmental Fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in Governmental Funds. These fixed assets are separated by categories of land, buildings, improvements other than buildings, and machinery and equipment. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are excluded from the general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City follows the policy of capitalizing interest cost associated with asset construction for all non-general fixed assets.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Obligations Account Group.

The two Account Groups are not “Funds”. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

All Proprietary Funds and Retirement Systems are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. The Proprietary Funds reported fund equity (net total assets) is segregated into contributed capital (grants and donated capital) and retained earnings (accumulated deficit) components. The Retirement Systems fund balances are reported as Net Assets Held in Trust for Pension Benefits. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings.....	20 - 50 years
Improvements.....	5 - 66 2/3 years
Vehicles and Equipment.....	4 - 20 years
Mains, Interceptors and Regulators	66 2/3 - 100 years

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Assets, Liabilities, and Equity, Continued:

- 6. Property Taxes:** The Constitution of the State of Michigan limits the proportion of true cash value at which real property can be uniformly assessed to 50%. The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same level; then the State equalizes the various counties in relation to each other. State equalized values are important, aside from their use for local property tax levy purposes, because of their role in distribution of State school aid and in the calculation of debt limits. The only major items of personal property subject to property taxation in the City are commercial and industrial furniture, fixtures, and equipment. Though comprehensive authority is granted by the State to Michigan municipalities for governmental purposes, the Constitution and general laws of the State limit the municipal rate of taxation and restrict the amount of debt a municipality may incur. At the present time, the general ad valorem taxing power of the City is generally limited by State law and the City Charter to 20 mills. The City is levying at its current maximum rate limit. In addition, the City is authorized to levy additional taxes within specified amounts for specific purposes under specific legislation. At the present time, under such an authorization, the City is levying 3 additional mills for the purpose of garbage and rubbish collection. These millage limitations, however, do not apply to taxes levied by the City for payment of principal and interest on presently outstanding unlimited tax-supported bonds, nor do they apply to payment of principal and interest on tax-supported bonds issued in anticipation of presently outstanding contractual obligations of the City or presently outstanding assessments in the City.

The City's property tax is levied each July 1 of the fiscal year and is payable without penalty either on or before August 31, in full or one-half on or before August 15, with the balance then being payable on or before the following January 15. Property taxes attach as a lien on the property as of July 1 of the year of levy. Property owners may appeal their assessments to the local Board of Review and ultimately to the Michigan Tax Tribunal.

The City records property tax revenue when available. Available is defined as due and receivable within the current fiscal year and collected within the current fiscal year or expected to be collected within 60 days thereafter.

- 7. Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2001 consists of an annualized tax of 2.75% on the income of resident individuals, 1.375% on income earned in the City by non-residents and for corporations the annual rate for 2001 was 1.60%. The rates are being lowered over a ten-year period, starting July 1, 1999. The resident rate will decrease by 1/10 of a percentage point, the non-resident rate by 1/20 of a percentage point and the corporate rate by 2/10 of a percentage point over the same period. After the ten-year period, the calendar 2009 resident rate will be 2%, the non-resident rate will be 1% and the corporate rate will be zero. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. The City records Municipal Income Taxes revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.
- 8. Utility Users' Taxes Receivable:** The City records Utility Users' Tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter.
- 9. Grants:** The City recognizes grant revenues in the accounting period in which they become measurable and available. The City recognizes revenue in the period when the expenditure is made. Available is defined as due and receivable within the current fiscal year or expected to be collected within 180 days thereafter.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Assets, Liabilities, and Equity, Continued:

10. Bonds: General obligation bonds are obligations of the City as a whole and not its individual constituent funds. Accordingly, such obligations, which are backed by the full faith and credit of the City, are accounted for in the General Long-Term Obligations Account Group, except for issues of general obligation bonds, the proceeds from which were used to purchase operating assets for Enterprise Funds.

11. Compensated Absences: The City records as a liability estimated vested vacation, sick pay, banked overtime and furlough time in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. For Funds other than the Transportation Fund, unused vacation pay and banked overtime accumulates up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age sixty (60) or completes twenty-five (25) years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

The non-current portion of liabilities for accrued vacation, vested sick leave, and banked overtime for Governmental Funds approximated \$116.0 million at June 30, 2001 and has been included in the General Long-Term Obligations Account Group. The current portion of such amounts, which is the portion payable from available expendable resources of Governmental Funds, has been recorded in such funds. Both the current and non-current portion of such liabilities for Proprietary Funds is included in the financial statements of the applicable funds.

12. Workers' Compensation: The City is self-insured for workers' compensation claims. The workers' compensation liabilities are recorded when the occurrences of the liabilities are probable and reasonably estimable. The amounts recorded as of June 30, 2001 are based on compensation and medical costs expected to be paid for all claims known as of the balance sheet date and an estimate of unknown claims based on historical data. For the Governmental Funds, claims settled or adjudicated during the current fiscal year or settled or adjudicated during the first 60 days subsequent to year end are recorded in the related Governmental Funds' financial statements. The Governmental Funds' liabilities not liquidated or adjudicated 60 days subsequent to year-end approximated \$42.3 million, and are accounted for in the General Long-Term Obligations Account Group. Both the current and non-current portions of the workers' compensation liabilities for Proprietary Funds are included in the financial statements of the applicable funds.

13. Memorandum Only — Total Columns: Total columns on the general purpose financial statements are captioned as "memorandum only" and are the aggregate of the funds, account groups, and component units. Data in these columns do not fairly present financial position, results of operations, or changes in cash flows in accordance with generally accepted accounting principles. No consolidation or other elimination was made in arriving at the totals; thus, total data do not present consolidated information. The data are presented only to facilitate financial analysis.

14. Reclassification: Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation

15. Prior Period Adjustments: In accordance with the City ordinance, the General Fund has restated the beginning of the year fund balances to account for inclusion of Budget Stabilization operations. The Budget Stabilization operations were previously reported as a Trust Fund in the Fiduciary Fund Type statements. The effect of the omission in the statements as previously reported for 2000 is as follows:

Cash	\$ 234,398
Investments	32,700,000
Reserved Fund Balance	32,934,398

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Assets, Liabilities, and Equity, Continued:

The Library Fund included in the Special Revenue Fund has restated the beginning of the year fund balance to account for \$8,017,835 in assets not reported in DRMS. The assets relate primarily to endowment and trust funds established several decades ago and entrusted to the Library Fund for specific purposes designated by the donors. The effect of the omission in the financial statements as previously reported for 2000 is as follows:

Restricted investments and endowments	\$7,470,017
Inventory	547,918
Reserve for inventories	547,918
Reserved fund balance	7,470,017

The Housing Fund reported in the Enterprise Fund which are in the Proprietary Fund type statements has restated the beginning of the year accumulated deficit to account for the disposition of structures and improvements at a low-income project during the fiscal year ended June 30, 2000. The correction of \$7,069,110 reflects the net book value of the assets at June 30, 2000. The effect of the omission in the financial statements as previously reported for 2000 is as follows:

Structures and Improvement	\$ (16,553,220)
Accumulated Depreciation.....	(9,484,110)
Retained Deficit	(7,069,110)

The Detroit Transportation Corporation included in the discretely presented component units has restated the beginning of the year retained earnings to account for certain omissions resulting in the understatement of various accounts. The effect of the omission in the financial statements as previously reported for 2000 is as follows:

Property, Plant and Equipment	\$ 708,132
Accounts and Contracts Payable.....	1,808
Retained Earnings	709,940

- 16. Impairment of Long-Lived Assets:** The Detroit Housing Commission Board has committed to a plan to dispose of certain low-income project units during FY 2002. In accordance with Financial Accounting Standards No. 121, *Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of*, any long-lived assets to be disposed of for which management, having the authority to approve the action, has committed to a plan to dispose of assets, shall be reported at the carrying value or fair market less cost to sell. The Board has decided to dispose of such assets therefore the carrying value would be zero. The historical cost and related accumulated depreciation for the units at June 30, 2001 were \$22,597,023 and \$15,822,499, respectively. The fund has recorded a loss of \$6,774,524 in the Statement of Revenues and Expenses and Changes in Equity.
- 17. Accounting Change:** During the year ended June 30, 2001, the City Adopted the provisions of GASB Statement No. 33 - *Accounting and Financial Reporting for Non-Exchange Transactions*. This statement requires that capital contributions be recognized as revenues and not as contributed capital. Accordingly, during the year ended June 30, 2001, \$56,459,509 was recognized as revenues in the statement of revenues and expenses. The GASB statement specifies that the City does not have to restate contributed capital arising from prior periods.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A – Budget Process:** The City's annual budget constitutes a financial plan for the next fiscal year which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included in separate sections of the budget. Any surplus or deficit during the preceding year is entered into the budget for the next fiscal year as either revenue (surplus) or appropriation (deficit), in accordance with the City Charter. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is a balanced budget.

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council not later than May 15. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

- B – Budget Matters:** The following is a list of departmental (activity) expenditures for the General Fund in excess of the amended budgets and total expenditures in excess of the amended budgets for the individual funds included in the combined Special Revenue and Debt Service Funds:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over</u>
General Fund:			
Physical Environment:			
Public Lighting	\$ 69,201,760	\$ 70,757,080	\$1,555,320
Transfer Out:			
Construction Code Fund	5,845,655	6,437,218	591,563
Special Revenue Funds:			
Human Services - Total Expenditures	73,165,815	81,729,850	8,564,035
General Debt Service Funds - Other Financing Uses...	4,859,812	5,395,840	536,028

- C – Fund Balance:** The fund balances of the General, Special Revenue and Capital Projects funds have been classified to reflect certain limitations and restrictions. Reservations of fund balances are established to signify that certain assets are not presently available for appropriation and expenditure. The City encumbers the amounts required by purchase orders and contracts at the time the purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside, as encumbrances within fund balance, an amount equal to

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Fund Balance, Continued:

the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the budget is increased by an amount sufficient to cover the unliquidated encumbrances, and these encumbrances are reinstated.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A – Cash and Investments: Cash deposits are in financial institutions insured as members of the FDIC or NCUA. Cash held by fiscal agents or by trustees is secured in accordance with the covenants of the agency or trust agreement. Cash deposits related to federally funded programs are accounted for in accordance with applicable Federal regulations. At June 30, 2001, the primary government's carrying amount of deposits was \$153,578,653 and the bank balance was \$175,037,560. Of the bank balance, \$8,641,602 was covered by federal depository insurance. The remaining balances are not insured.

The carrying amount of deposits for the discretely presented component units was \$19,984,164 and the bank balance was \$15,407,369. Of the bank balance, \$1,566,417 was covered by federal depository insurance or by collateral held by the component units agent. The remaining balances are not insured.

The City has adopted an official investment policy which is in accordance with State statute, as amended, and conforms to additional restrictions, as specified by certain funds and covenants of bond resolutions. The General Retirement System and the Policemen and Firemen Retirement System Boards of Directors follow the investment policy prescribed by State statute.

In accordance with pronouncements of GASB Statement No. 3, investments are categorized to indicate the level of risk assumed by the City at June 30, 2001:

Category 1: Includes investments, which are insured or registered, or securities held by the City, or its agent in the City's name.

Category 2: Includes investments, which are uninsured, unregistered, and held by an agent in the City's name.

N/A: Those investments identified by N/A are not categorized because they represent pooled funds.

Authorized investments include U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, and mutual funds of certain investment quality for the City and the Retirement System (Systems). In addition, the Retirement Systems can invest in secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not specifically excluded by State statute, limited as to portfolio share.

In accordance with the Fund's investment policy, the Fund invests in mortgage-backed securities. These securities are reported at fair value in the balance sheet and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated the cash flows are greater and the return on the initial investments would be higher than anticipated. The Fund invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A –Cash and Investments, Continued:

Securities Lending: Under the provisions of Securities Lending Authorization Agreements, the Retirement Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial banks manage the securities lending program and receive cash, securities, and irrevocable bank

letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to but not less than 100 % of the market value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial banks made on its behalf, and the custodial banks indemnified the Systems by agreeing to purchase replacement securities or return cash collateral in the event a borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodial banks. The Systems and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested in two separate collective investment pools. The average duration of each investment pool as of June 30, 2001 was 74 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2001, the Systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the Systems as of June 30, 2001 were \$745,945,053 and \$600,835,887, respectively. During the fiscal year ended June 30, 2001, the General Retirement System has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received with respect to such loans was invested, at the discretion of the Board of Trustees of the Retirement System, in Quality Funds for Short-term Investments (the Fund), a pooled external vehicle. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investment at fair value for reporting purposes. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Retirement System's position in the Fund is not the same as the value of the Fund shares. There was no involuntary participation in an external investment pool by the system for the fiscal year. Further, State Street assigned no income from one fund to another fund during the fiscal year.

The following are the City's investment balances at June 30, 2001:

<u>Primary Government:</u>	<u>Category</u>		<u>Market Value</u>
	<u>1</u>	<u>2</u>	
Commercial Paper.....	\$ 813,182	\$ 34,023,838	\$ 34,837,020
U.S. Government Securities.....	167,210,037	34,454,522	201,664,559
Bonds, Notes, and Stocks.....	5,170,708	4,070,700,253	4,075,870,961
Pooled Investments.....	15,522,393	106,363,829	121,886,222
Private Placements.....	-	213,614,623	213,614,623
Repurchase Agreements.....	20,359,500	1,000,000	21,359,500
Certificates of Deposit	20,489,762	4,013,960	24,503,722
Others.....	34,254,509	-	34,254,509
Short Term Investments	-	317,037,782	317,037,782
Mortgage Backed Securities	-	427,093,499	427,093,499
Total.....	<u>\$ 263,820,091</u>	<u>\$5,208,302,306</u>	<u>\$ 5,472,122,397</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Cash and Investments, Continued:

Investments Not Subject to Categorization (N/A):

Pooled Investments	\$ 861,632,821
Mortgage and Construction Loans	219,663,406
Securities Lending	600,835,887
Equity Interest in Real Estate	162,440,338
Total Investments	<u>\$ 1,844,572,452</u>

<u>Component Units:</u>	<u>Category</u>		<u>Market</u>
	<u>1</u>	<u>2</u>	<u>Value</u>
Repurchase Agreements	\$ -	\$ 111,766,111	\$ 111,766,111
Certificates of Deposit	1,216,779	-	1,216,779
Commercial Paper	-	77,716,727	77,716,727
U.S. Government Obligations	325,732,924	55,411,134	381,144,058
Bonds, Notes, and Stocks	29,391	-	29,391
Others	4,047,253	-	4,047,253
Pooled Investments	-	123,094,075	123,094,075
Total Investments	<u>\$ 331,026,347</u>	<u>\$ 367,988,047</u>	<u>\$ 699,014,394</u>

Certain types of investments, such as money market pooled fund, annuity contracts, mortgage and construction loans, Equity Interest in Real Estate, and certain bonds, notes and stocks are not categorized because they are not evidenced by securities that exist in physical or book-entry form.

B – Due from Other Governmental Agencies: Due from Other Governmental Agencies consists primarily of sales and charges for services to the County, the District, the State of Michigan, and the Federal Government. Additional amounts for grant receivables are due from the State of Michigan and the Federal Government.

C – Interfund Receivables and Payables:

Interfund receivables and payables at June 30, 2001 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 103,495,750	\$ 62,723,285
Special Revenue:		
Community Development Block Grant	358,534	5,618,682
Construction Code Fund	7,805,732	6,796,450
Detroit Building Authority	1,701,244	950,309
Drug Law Enforcement	-	847,130
Empowerment Zone	4,573	2,059,660
Federal Employment and Training	715,329	1,100,639
Human Services	515,046	1,152,375
Library	4,302,820	1,065,448
Major and Local Street	97,169	1,210,952
Supplemental Housing Program	-	13,107
Total Special Revenue	<u>15,500,447</u>	<u>20,814,752</u>
General Debt Service	<u>1,150,000</u>	<u>2,015,882</u>
Capital Projects:		
Capital Projects	6,596,608	3,065,157
Urban Renewal	13,651	1,071,322
Total Capital Projects	<u>6,610,259</u>	<u>4,136,479</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

C – Interfund Receivables and Payables, Continued:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise:		
Airport	172,226	1,624,405
Automobile Parking.....	313,198	1,353,177
Housing	33,840	13,253,718
Sewage Disposal.....	37,267,033	46,876,017
Transportation	21,144,112	29,092,712
Water	<u>37,082,719</u>	<u>58,434,483</u>
Total Enterprise	<u>96,013,128</u>	<u>150,634,512</u>
Fiduciary Funds:		
Retirement Systems:		
General Retirement	4,323,523	1,515,915
Policemen and Firemen Retirement	<u>7,144,893</u>	<u>1,516,722</u>
Total Retirement Systems	<u>11,468,416</u>	<u>3,032,637</u>
Trust and Agency:		
Employees Benefit	10,212,492	1,103,142
Employees Disability Income Protection.....	627,149	-
Other Trust and Agency	<u>-</u>	<u>616,952</u>
Total Trust and Agency	<u>10,839,641</u>	<u>1,720,094</u>
Total Retirement Systems and Trust and Agency	<u>22,308,057</u>	<u>4,752,731</u>
Totals	<u>\$ 245,077,641</u>	<u>\$ 245,077,641</u>

D – Fixed Assets:

General Fixed Assets: General fixed asset activity for the fiscal year ended June 30, 2001 is as follows:

<u>Class</u>	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land	\$ 631,786,477	\$ -	\$ -	\$ 631,786,477
Buildings.....	601,924,083	-	-	601,924,083
Improvements Other than Buildings ...	30,692,636	-	-	30,692,636
Machinery and Equipment.....	196,987,483	12,557,382	5,273,658	204,271,207
Construction Work in Progress.....	<u>158,016,747</u>	<u>40,916,827</u>	<u>-</u>	<u>198,933,574</u>
Total.....	<u>\$1,619,407,426</u>	<u>\$53,474,209</u>	<u>\$ 5,273,658</u>	<u>\$ 1,667,607,977</u>

Construction work in progress at June 30, 2001 is composed of the following:

	<u>Project Authorization</u>	<u>Expended to June 30, 2001</u>	<u>Committed</u>	<u>Required Future Financing</u>
Public Protection.....	\$ 45,796,705	\$ 42,467,605	\$ 3,329,100	None
Municipal Facilities	35,497,896	35,417,366	80,530	None
Cultural and Recreational	110,604,239	110,420,508	183,731	None
Human Services	1,449,360	1,435,439	13,921	None
Municipal Services	<u>12,071,166</u>	<u>9,192,656</u>	<u>2,878,510</u>	None
Total	<u>\$ 205,419,366</u>	<u>\$198,933,574</u>	<u>\$ 6,485,792</u>	

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

D – Fixed Assets, Continued:

Proprietary Funds Fixed Assets: A summary of proprietary fund type property, plant, and equipment at June 30, 2001 is as follows:

Land	\$ 49,313,621
Structures and Improvements	1,627,536,236
Mains, Interceptors, and Regulators	1,091,838,933
Equipment	1,056,107,131
Construction in Progress	<u>1,186,951,510</u>
Total before Depreciation	5,011,747,431
Less Accumulated Depreciation	<u>(1,495,937,872)</u>
Total	<u>\$ 3,515,809,559</u>

Component Units Fixed Assets: A summary of component unit's property, plant, and equipment at June 30, 2001 is as follows:

Land	\$ 34,199,612
Buildings	1,041,861,577
Improvements Other than Buildings	9,991,247
Equipment and Miscellaneous	226,546,768
Construction work in Progress	218,470,430
Vehicles	<u>25,115,146</u>
Total before Depreciation	1,556,184,780
Less Accumulated Depreciation	<u>(234,226,757)</u>
Total	<u>\$ 1,321,958,023</u>

- E – Deferred Revenue:** Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria are met.
- F – Deficits:** The Airport and Housing Funds, (Enterprise Funds) had retained deficits at June 30, 2001. Each fund has a deficit reduction plan, which includes, among other things, subsidies from the General Fund and improved operations. The General Fund and the Museum of African American History (a discretely presented component units) had deficits. The General Fund deficit will be eliminated through a transfer of funds from the Reserved for Budget Stabilization Fund balance. The Museum of African American History is engaged in a comprehensive campaign. Its five year goal is to raise \$43.8 million which includes debt reduction and deficit elimination.
- G – Long-Term Obligations:** Long-term obligations are reported by the City as General Long-Term Obligations if the obligation is to be repaid from Governmental Fund resources or as Long-Term Obligations — Enterprise Funds if the obligation is to be repaid from funds other than Governmental Fund resources.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, Act 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

The changes in General Long-Term Obligations for the year ended June 30, 2001 were as follows:

General Long-Term Obligations:

	Balance June 30, 2000	Increase	Decrease	Balance June 30, 2001
Long-Term Debt:				
Advances from Detroit Baseball Club	\$ 1,757,137	\$ -	\$ 1,757,137	\$ -
Convention Facility — Cobo				
Center Expansion Revenue Bonds	149,615,000	-	8,470,000	141,145,000
Detroit Building Authority Bonds—				
Madison Center Project	16,240,350	-	1,143,606	15,096,744
Distributable State Aid Bonds	95,360,000	-	8,485,000	86,875,000
Self-Insurance Limited Tax Bonds	66,855,000	-	11,875,000	54,980,000
Federal Note — Caraco Pharmaceutical				
Project	7,235,000	-	550,000	6,685,000
Federal Note — Central Industrial Park	20,865,000	-	6,900,000	13,965,000
Federal Note — Ferry Project	2,900,000	-	-	2,900,000
Federal Note — Garfield Project	2,260,000	-	-	2,260,000
Federal Note — Jefferson/Conner				
Revitalization Project	5,700,000	-	2,900,000	2,800,000
Federal Note — Michigan Repacking				
Project	1,445,000	-	35,000	1,410,000
Federal Note — Riverbend Project	1,425,000	-	65,000	1,360,000
Federal Note — Stuberstone Project	385,000	-	10,000	375,000
General Obligation — General Bonds	405,625,000	-	23,910,000	381,715,000
General Obligation Limited Tax Bonds	16,965,000	-	-	16,965,000
Loan Payable to Downtown				
Development Authority	33,600,000	-	-	33,600,000
Loan Payable — GE Capital — Airport	221,844	-	33,047	188,797
Loan Payable — GE Capital — Cobo Hall				
Energy System	13,944,945	-	1,331,369	12,613,576
Loan Payable - GE Capital - Election				
System	2,728,581	-	440,240	2,288,341
Loan Payable - GE Capital - Fire	2,587,492	-	402,910	2,184,582
Loan Payable - GE Capital - ITS				
Unisys	16,400,859	-	2,406,754	13,994,105
Loan Payable - GE Capital ITS - Facility	630,000	-	210,000	420,000
Loan Payable - GE Capital - Income Tax	730,000	-	116,775	613,225
Loan Payable - IBM Credit Corporation	43,603,095	-	10,067,238	33,535,857
Total Long-Term Debt	909,079,303	-	81,109,076	827,970,227
Other Long-Term Obligations:				
Accrued Compensated Absences	110,577,484	5,408,804	-	115,986,288
Claims and Judgments	138,495,523	70,928,019	57,264,976	152,158,566
Worker's Compensation	44,920,879	-	2,668,913	42,251,966
Total Other Long-Term Obligations	293,993,886	76,336,823	59,933,889	310,396,820
Total General Long-Term Obligations	<u>\$ 1,203,073,189</u>	<u>\$ 76,336,823</u>	<u>\$ 141,042,965</u>	<u>\$ 1,138,367,047</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

Long-Term Obligations — Enterprise Funds:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Long-Term Debt:				
General Obligation Bonds —				
Detroit Building Authority:				
Parking and Arena System.....	\$ 88,570,000	\$ -	\$ 4,640,000	\$ 83,930,000
Sewage Disposal System Bonds.....	1,120,135,747	100,249,821	20,023,996	1,200,361,572
Water Supply System Bonds	<u>923,365,000</u>	<u>603,760,000</u>	<u>195,415,000</u>	<u>1,331,710,000</u>
Total Long-Term Debt.....	2,132,070,747	704,009,821	220,078,996	2,616,001,572
Other Long-Term Obligations:				
Accrued Compensated Absences.....	15,985,062	3,312,133	2,100,109	17,197,086
Accrued Public Liability and				
Worker's Compensation	<u>58,168,317</u>	<u>-</u>	<u>12,699,677</u>	<u>45,468,640</u>
Total Other Long-Term Obligations.....	<u>74,153,379</u>	<u>3,312,133</u>	<u>14,799,786</u>	<u>62,665,726</u>
Total Long-Term Obligations.....	<u>\$ 2,206,224,126</u>	<u>\$ 707,321,954</u>	<u>\$ 234,878,782</u>	<u>\$ 2,678,667,298</u>

The indebtedness with interest rates which range from 4.50% to 7.66% for the General Long-Term Debt and 2.00% to 6.80% for Long-Term Debt — Enterprise Funds is repayable as follows:

<u>Year Ending</u>	<u>General Long-Term Debt</u>		<u>Long-Term Debt — Enterprise Funds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 117,638,845	\$ 43,925,736	\$ 48,465,000	\$ 112,313,652
2003	91,490,163	39,020,654	51,480,000	129,896,295
2004	81,360,243	33,951,850	58,564,630	127,384,695
2005	75,824,053	29,370,320	58,565,000	124,473,697
2006	58,789,364	24,975,024	60,830,000	122,421,807
2007 to 2011.....	250,542,559	76,313,585	317,015,273	555,898,501
2012 to 2016.....	115,190,000	24,837,716	373,474,291	480,804,660
2017 to 2021.....	37,135,000	4,482,027	446,736,716	384,193,424
2022 to 2026.....	-	-	489,480,662	262,557,941
2027 to 2031.....	-	-	510,270,000	121,684,956
2032 to 2034.....	-	-	<u>201,120,000</u>	<u>16,352,357</u>
Total	<u>\$ 827,970,227</u>	<u>\$ 276,876,912</u>	<u>\$ 2,616,001,572</u>	<u>\$ 2,437,981,985</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

The changes in Long-Term Obligations - Component Units for the year ended June 30, 2001 were as follows:

Long-Term Obligations - Component Units:

	Balance June 30, 2000	Increase	Decrease	Balance June 30, 2001
Long-Term Debt:				
Downtown Development Authority:				
Tax Increment Finance Authority Revenue Bonds.....	\$ 212,391,198	\$ -	\$ 7,747,000	\$ 204,644,198
Trappers Alley Project Note.....	2,800,000	-	-	2,800,000
Other Long-Term Obligations.....	16,095	325	-	16,420
Economic Development Corporation:				
Caraco Pharmaceutical - Payable to City of Detroit.....	9,000,000	-	-	9,000,000
NBD Bank - Letter of Credit.....	2,280,000	-	144,000	2,136,000
New Center Stamping - Payable to City of Detroit.....	1,565,175	-	100,381	1,464,794
Riverbend Project - Payable to City of Detroit.....	1,458,415	-	44,371	1,414,044
Greater Detroit Resource Recovery				
Greater Detroit Resource Recovery Bonds.....	330,695,000	-	24,420,000	306,275,000
Limited Obligation Economic Development Bonds.....	124,615,000	-	11,105,000	113,510,000
Local Development Finance Authority:				
Jefferson/Conner Project.....	100,120,000	-	3,600,000	96,520,000
School District of City of Detroit:				
School Building and Site Improvement Bonds.....	460,171,512	-	15,568,932	444,602,580
Energy Conservation Bonds.....	17,835,000	-	3,055,000	14,780,000
School Bus Purchase Notes for 1995.....	1,605,120	-	1,605,120	-
First Municipal Note.....	564,832	-	275,192	289,640
Capital Leases.....	7,317,367	-	4,434,852	2,882,515
Other Long-Term Obligations.....	214,235,693	2,702,924	-	216,938,617
Total Long-Term Obligations.....	<u>\$ 1,486,670,407</u>	<u>\$ 2,703,249</u>	<u>\$ 72,099,848</u>	<u>\$ 1,417,273,808</u>

The indebtedness with interest rates which range from 2.90% to 9.375% for Long-Term Debt - Component Units is repayable as follows:

<u>Year Ending</u>	<u>Long-Term Debt - Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2002.....	\$ 71,963,577	\$ 66,556,074
2003.....	77,675,361	62,585,645
2004.....	79,844,921	58,049,684
2005.....	87,398,093	53,232,996
2006.....	91,030,555	48,138,827
2007 to 2011.....	394,727,088	180,902,761
2012 to 2016.....	113,315,879	101,792,338
2017 to 2021.....	79,907,142	76,005,798
2022 to 2026.....	102,453,640	55,099,573
2027 to 2029.....	99,120,000	17,975,621
Total.....	<u>\$ 1,197,436,256</u>	<u>\$ 720,339,317</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

Bonds Payable:

The following is the schedule of the Bonds Payable at June 30, 2001:

	Bond Date	Amount Issued	Retired		Outstanding		
			Year Ended June 30, 2001		June 30, 2001		
			Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
GENERAL OBLIGATION BONDS (Note A)							
General Bonds - Unlimited Tax:							
General Obligation:							
Series 1991.....	11-15-91	\$ 11,380,000	7.88	% \$ 1,805,000	-	% -	\$ -
Series 1993.....	12-1-93	7,030,000	6.35	1,015,000	6.35	04/01/2002	1,080,000
Series 1993.....	12-1-93	19,740,000	-	-	6.35	4/1/03-05	3,660,000 c
Series 1995-A.....	08-1-95	14,840,000	5.70	1,650,000	5.90 to 6.40	4/1/02-05	8,540,000
Series 1995-B.....	08-1-95	102,220,000	6.25	12,620,000	6.25 to 7.00	4/1/02-05	64,285,000
Series 1995-B.....	08-1-95	81,230,000	-	-	6.25 to 6.38	4/1/06-11	81,230,000 c
Series 1996-A.....	11-1-96	12,105,000	5.00	1,270,000	5.0 to 6.00	4/1/02-06	7,365,000
Series 1996-A.....	11-1-96	22,195,000	-	-	5.20 to 6.00	4/1/07-16	22,195,000 c
Series 1996-B.....	11-1-96	1,350,000	4.50	140,000	4.60 to 5.00	4/1/02-06	820,000
Series 1996-B.....	11-1-96	21,975,000	-	-	5.10 to 5.50	4/1/07-15	21,975,000 c
Series 1997-A.....	12-15-97	14,645,000	4.50	1,475,000	4.50 to 5.50	4/1/02-07	10,410,000
Series 1997-A.....	12-15-97	29,605,000	-	-	5.0 to 5.50	4/1/08-18	29,605,000 c
Series 1997-B.....	12-15-97	21,375,000	4.00	275,000	4.20 to 5.50	4/1/02-07	16,225,000
Series 1997-B.....	12-15-97	18,280,000	-	-	5.0 to 5.38	4/1/08-14	18,280,000 c
Series 1999-A.....	4-1-99	16,080,000	4.25	1,510,000	3.90 to 5.50	4/1/02-08	14,570,000
Series 1999-A.....	4-1-99	28,020,000	-	-	5.0 to 5.25	4/1/09-19	28,020,000 c
Series 1999-B.....	11-15-99	14,725,000	4.40	1,355,000	4.60 to 6.00	4/1/02-09	13,370,000
Series 1999-B.....	11-15-99	30,275,000	-	-	5.125 to 5.25	4/1/10-20	30,275,000 c
Series 2000-AMT.....	2-15-00	9,270,000	4.75	795,000	4.75 to 5.75	4/1/02-09	8,475,000
Series 2000-AMT.....	2-15-00	1,335,000	-	-	5.75	4/1/10	1,335,000 c
Distributable State Aid Bonds:							
Series 1993.....	12-1-93	105,015,000	5.70	8,485,000	5.20 to 5.90	5/1/02-09	55,215,000
Series 1993.....	12-1-93	31,660,000	-	-	4.90 to 5.10	5/1/04-06	31,660,000 c
Total General Bonds - Unlimited Tax.....							468,590,000
General Bonds - Limited Tax:							
General Obligation:							
Series 1997.....	5-1-97	3,300,000	-	-	4.80 to 5.20	7/15/01-06	3,300,000
Series 1997.....	5-1-97	13,665,000	-	-	5.25 to 5.75	7/15/07-20	13,665,000 c
Self-Insurance Bonds:							
Series 1995-A.....	6-1-95	60,000,000	5.60	11,875,000	5.70 to 5.75	5/1/02-03	14,980,000
Series 1995-B.....	6-1-95	40,000,000	-	-	Variable	5/1/03-05	40,000,000 c
Total General Bonds- Limited Tax.....							71,945,000
Total General Bonds.....							540,535,000
Greater Detroit Resource Authority Bonds-							
Series 1996-A.....	3-01-96	313,055,000	5.00	21,285,000	5.50 to 6.25	12/13/01-08	218,240,000
Series 1996-B.....	3-01-96	93,745,000	4.60	3,135,000	4.80 to 6.25	12/13/01-08	88,035,000
Resource Recovery Project:							
Series 1991-A.....	10-1-91	101,445,000	6.45	5,705,000	6.45 to 6.875	5/1/02-09	88,870,000 c
Series 1991-B.....	10-1-91	46,500,000	9.00	1,500,000	-	-	-
Series 1992.....	4-24-92	13,700,000	7.00	3,900,000	-	-	-
Series 1992.....	4-24-92	31,300,000	-	-	7.75	5/1/02-09	24,640,000 c
Total Resource Recovery Project Bonds.....							419,785,000
Detroit Building Authority Bonds-							
District Court Madison Center							
Project.....	9-1-96	2,770,000	-	-	6.15	2/1/04-06	2,770,000
	9-1-96	7,230,000	-	-	6.15	2/1/07-11	7,230,000 c
	9-1-96	1,000,000	-	-	Variable	2/1/11	1,000,000
	9-1-96	6,910,000	7.97	1,143,606	7.97	8/1/02-06	4,096,744 c
Total Detroit Building Authority Bonds.....							15,096,744
Total General Obligation Bonds.....							\$ 975,416,744

(CONTINUED)

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

Bonds Payable, (Continued):

	Bond Date	Amount Issued	Interest Rate	Retired	Outstanding			
				Year Ended	June 30, 2001			
				Amount	Range of Interest Rates	Maturity Date	Amount	
REVENUE BONDS								
Sewage Disposal System Revenue Bonds (Note B):								
Series 1992-A.....	6-25-92	\$ 4,360,000	2.00	% \$ 205,000	2.00	% 4/1/02-13	\$ 2,820,000	
Series 1992-B-SRF(5070-01).....	9-10-92	1,915,000	2.00	90,000	2.00	10/1/01-13	1,330,000	
Series 1993-A.....	2-15-93	45,850,000	4.70	2,850,000	4.85 to 5.05	7/1/01-03	32,740,000	
Series 1993-A.....	3-9-93	68,235,000	-	-	5.05 to 5.55	7/1/04-08	32,400,000 c	
Series 1993-A.....	3-9-93	197,375,000	5.70	-	5.70	7/1/09-23	67,375,000 c	
Series 1993-B-SRF(5091 & 5092).....	9-30-93	4,840,000	2.00	298,996	2.00	10/1/01-14	4,840,000	
Series 1995-A.....	11-1-95	17,515,000	4.40	2,275,000	4.50 to 6.00	7/1/01-05	13,055,000	
Series 1995-A.....	11-1-95	114,915,000	-	-	5.00 to 5.25	7/1/06-25	114,915,000 c	
Series 1995-B.....	11-1-95	47,090,000	4.50	8,775,000	4.50 to 5.00	7/1/01-05	10,130,000	
Series 1995-B.....	11-1-95	78,205,000	-	-	5.00 to 6.25	7/1/06-21	78,205,000 c	
Series 1997-A.....	6-15-97	71,130,000	4.20	3,790,000	4.30 to 6.00	7/1/01-07	63,730,000	
Series 1997-A.....	6-15-97	191,364,128	-	-	5.00 to 5.50	7/1/08-28	191,364,128 c	
Series 1997-B-SRF(5125-01).....	9-30-97	4,940,174	2.25	245,000	2.25	10/1/01-18	4,940,174	
Series 1998-A.....	12-10-98	69,000,000	4.51	300,000	Variable	7/1/01-23	68,700,000 c	
Series 1998-B.....	12-10-98	68,955,000	4.51	355,000	Variable	7/1/01-23	68,600,000 c	
Series 1999-SRF-1(5126-01).....	6-24-99	18,638,635	2.50	840,000	2.50	10/1/01-20	18,638,635	
Series 1999-SRF-2(5143-01).....	9-30-99	46,000,000	-	-	2.50	10/1/01-20	46,000,000	
Series 1999-SRF-3(5144-01).....	9-30-99	28,076,038	-	-	2.50	10/1/01-20	28,076,038	
Series 1999-SRF-4(5175-01).....	9-30-99	32,906,644	-	-	2.50	10/1/01-20	32,906,644	
Series 1999-A.....	12-1-99	7,225,000	-	-	4.25 to 5.00	7/1/01-09	7,225,000	
Series 1999-A.....	12-1-99	295,770,178	-	-	5.125 to 6.00	7/1/10-29	295,770,178 c	
Series 2000-SRF.....	9-28-00	15,061,145	-	-	2.5	10/1/01-22	15,061,145	
Series 1999-A.....	9-28-00	1,539,630	-	-	2.5	10/1/01-22	1,539,630	
Total Sewage Disposal System Revenue Bonds.....							1,200,361,572	
Water Supply System Revenue Bonds (Notes C and D):								
Series 1990.....	10/15/1990	7,455,000	6.80	1,055,000	-	-	-	
Series 1992.....	05/01/1992	48,775,000	5.70	5,730,000	5.90 to 6.00	7/1/01-02	6,055,000	
Series 1992.....	05/01/1992	114,685,000	-	-	6.10 to 6.25	7/1/02-12	21,465,000 c	
Series 1992.....	06/01/1992	106,000,000	-	-	6.375	7/1/13-22	30,800,000 c	
Series 1993.....	10/15/1993	38,225,000	4.30	770,000	4.35 to 6.50	7/1/01-15	32,750,000	
Series 1993.....	10/15/1993	125,580,000	-	-	4.70 to 5.00	7/1/04-23	128,035,000 c	
Series 1993.....	10/28/1993	30,000,000	-	-	5.25	7/1/10-13	30,000,000 c	
Series 1995.....	10/15/1995	102,100,000	4.45	4,675,000	4.50 to 5.55	7/1/01-12	91,185,000	
Series 1995.....	10/15/1995	70,830,000	-	-	5.50	7/1/13-25	70,830,000 c	
Series 1997A.....	09/01/1997	29,080,000	5.00	3,360,000	4.50 to 5.25	7/1/01-06	23,720,000	
Series 1997A.....	09/01/1997	186,220,000	-	-	4.80 to 6.00	7/1/07-27	186,220,000 c	
Series 1997B.....	09/01/1997	30,555,000	4.20	185,000	4.20 to 5.25	7/1/01-06	30,190,000	
Series 1999A.....	11/01/1999	18,000,000	-	-	4.20 to 5.25	7/1/01-09	18,000,000	
Series 1999A.....	11/01/1999	238,340,000	-	179,640,000	5.125 to 5.875	7/1/10-29	58,700,000 c	
Series 2001A.....	05/01/2001	302,485,000	-	-	4.50 to 5.75	7/1/11-33	302,485,000 c	
Series 2001B.....	05/01/2001	108,985,000	-	-	4.50 to 5.50	7/1/12-33	108,985,000 c	
Series 2001C.....	06/07/2001	192,290,000	-	-	Variable	7/1/04-29	192,290,000 c	
Total Water Supply System Revenue Bonds.....							1,331,710,000	
Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion:								
Series 1993.....	9-1-93	98,275,000	4.75	8,470,000	4.80 to 5.75	9/1/01-07	72,370,000	
Series 1993.....	9-1-93	68,775,000	-	-	5.25	9/1/08-12	68,775,000 c	
Total Convention Facility Revenue Bonds.....							141,145,000	
Local Development Finance Authority (Tax Increment Bonds) - Jefferson/Conner Revitalization Project:								
Series 1997-A.....	9-1-97	12,250,000	4.75	1,050,000	4.50 to 5.50	5/1/02-06	7,075,000	
Series 1997-A.....	9-1-97	33,615,000	-	-	5.20 to 5.375	5/1/07-21	33,615,000 c	
Series 1997-B.....	9-1-97	935,000	6.70	210,000	6.70	5/1/02-06	690,000	
Series 1997-B.....	9-1-97	4,065,000	-	-	6.70	5/1/07-21	4,065,000 c	
Series 1997-C.....	9-1-97	1,190,000	6.85	270,000	6.85	5/1/02-06	880,000	
Series 1997-C.....	9-1-97	5,310,000	-	-	6.85	5/1/07-21	5,310,000 c	
Series 1998-A.....	9-15-98	12,860,000	4.40	2,070,000	5.50	5/1/02-08	5,540,000	
Series 1998-A.....	9-15-98	39,345,000	-	-	5.50	5/1/09-21	39,345,000 c	
Total Local Development Authority Bonds.....							96,520,000	

(CONTINUED)

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

Bonds Payable, (Continued):

	Bond Date	Amount Issued	Interest Rate	Retired	Range of Interest Rates	Maturity Date	Outstanding
				Year Ended June 30, 2001			June 30, 2001
				Amount			Amount
REVENUE BONDS							
Tax Increment (Downtown Development Authority)							
Series 1996-A.....	4-1-96	\$ 75,014,000	6.88 %	\$ 3,877,000	7.02 to 7.50 %	7/1/01-10	\$ 57,811,000
Series 1996-B.....	4-1-96	7,550,000	4.70	965,000	4.90 to 5.35	7/1/01-06	6,205,000
Series 1996-B.....	4-1-96	5,780,000	-	-	5.40 to 5.80	7/1/07-10	5,780,000 c
Series 1996-C.....	4-1-96	7,335,000	4.70	470,000	4.90 to 5.35	7/1/01-06	5,330,000
Series 1996-C.....	4-1-96	46,640,000	5.40	-	5.40 to 5.80	07/01/07	1,065,000 c
Series 1996-C Capital Appreciation.....	4-18-96	10,908,198	-	-	6.70 to 6.95	7/1/11-25	10,908,198
Series 1998-A.....	9-1-98	7,465,000	3.80	680,000	3.90 to 4.35	7/1/01-07	5,615,000
Series 1998-A.....	9-1-98	61,435,000	-	-	4.40 to 5.25	7/1/08-25	61,435,000 c
Series 1998-B.....	9-1-98	10,900,000	5.61	875,000	5.61 to 6.15	7/1/01-07	9,350,000
Series 1998-B.....	9-1-98	21,295,000	-	-	6.20 to 6.68	7/1/08-28	21,295,000 c
Series 1998-C.....	9-1-98	10,480,000	3.80	880,000	3.90 to 4.35	7/1/01-07	8,905,000
Series 1998-C.....	9-1-98	10,945,000	-	-	4.40 to 5.00	7/1/08-18	10,945,000 c
Total Downtown Development Authority Bonds.....							204,644,198
School District of the City of Detroit:							
School Building and Site Improvement Bonds:							
Series XXI.....	8-6-87	26,600,000	7.00	1,750,000	7.00 to 7.25	7/1/01-07	13,950,000
Series XXII.....	9-29-88	20,000,000	9.35	1,075,000	9.350 to 9.375	7/1/01-09	13,000,000
Series 1991.....	6-1-91	30,280,000	6.30	1,415,000	6.30 to 7.15	7/1/01-11	0
Series 1992.....	7-1-92	33,000,000	4.80	1,465,000	4.80 to 6.25	7/1/01-12	3,180,000
Series 1993.....	10-1-93	79,730,000	4.55	2,925,000	4.55 to 5.125	7/1/01-13	61,880,000
Series 1996-A.....	3-1-96	89,000,000	3.70	154,000	3.70 to 6.50	7/1/01-25	21,425,000
Series 1998-A.....	11-1-98	940,000	-	-	4.00 to 4.30	7/1/01-07	940,000
Series 1998-B.....	11-1-98	209,770,000	3.50	10,000	3.50 to 3.75	7/1/01-28	202,740,000
Series 1998-C.....	11-1-98	84,855,000	3.50	280,000	3.50 to 5.25	7/1/01-25	84,250,000
Series 1998 (Durant).....	11-24-98	59,304,433	4.76	5,108,932	4.76	7/1/01-13	43,237,580
Energy Conservation Bonds-							
Energy Conservation.....	3-10-99	21,210,000	2.90	3,055,000	2.90 to 4.25	7/1/01-07	14,780,000
Total School District of the City of Detroit Bonds.....							459,382,580
Detroit Building Authority Bonds - Revenue Refunding Bonds:							
Parking & Arena System-Series 1997A.....	2-15-97	3,050,000	4.20	300,000	4.30 to 4.80	7/1/01-06	2,085,000
Parking & Arena System-Series 1997B.....	2-15-97	37,695,000	6.28	3,530,000	6.43 to 6.79	7/1/01-06	26,530,000
Parking & Arena System-Series 1998A.....	7-1-98	8,385,000	4.50	810,000	4.50 to 5.25	7/1/01-07	6,800,000
Parking & Arena System-Series 1998A.....	7-1-98	18,615,000	-	-	4.70 to 5.25	7/1/08-19	18,615,000 c
Parking & Arena System-Series 1999A.....	10-22-99	29,900,000	-	-	Variable	7/18/01-7/1/29	29,900,000 c
Total Detroit Building Authority Revenue Refunding Bonds.....							83,930,000
Total Revenue Bonds.....							3,517,693,350
Total Bonds Payable.....							\$4,493,110,093

c - Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

Note A - As of June 30, 2001, the City had \$45,240,000 in outstanding General Obligation Bonds which have been defeased or advanced refunded.

Note B - As of June 30, 2001, the City had \$88,164,262 in outstanding Sewage Disposal System Revenue Bonds which have been defeased or advanced refunded.

Note C - Stated Principal amount of State Revolving Fund Bonds issued as part of the State of Michigan's Revolving Loan Program. As the System draws additional amounts from time to time hereafter, the outstanding principal amounts of such Bonds will correspondingly increase.

Note D - As of June 30, 2001, the City had \$375,575,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G - Long-Term Obligations, Continued:

Notes Payable:

The following is the schedule of Notes Payable at June 30, 2001:

	Issue Date	Range of Interest Rates		Maturity Date	Amount Outstanding June 30, 2001
Primary Government Notes Payable:					
Urban Renewal Fund:					
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue).....	03/02/1994	6.10 to 6.44	%	8/1/01-02	\$ 6,685,000
Central Industrial Park - General Motors Project Notes (Secured by Future Block Grant Revenue).....	10/28/1997	6.11 to 6.23		8/1/01-02	13,965,000
Ferry Street Project (Secured by Future Block Grant Revenue).....	04/28/1999	5.58 to 6.72		8/1/04-18	2,900,000
Garfield Project (Secured by Future Block Grant Revenue).....	06/05/1996	6.67 to 7.66		8/1/01-15	2,260,000
Jefferson/Conner Revitalization Project (Secured by Future Block Grant Revenue).....	12/15/1992	6.99 to 7.12		8/1/01	2,800,000
Michigan Repacking Project (Secured by Future Block Grant Revenue).....	10/28/1997	6.11 to 7.09		8/1/01-04	1,410,000
Riverbend Project (Secured by Future Block Grant Revenue).....	06/05/1996	6.59 to 7.66		8/1/01-15	920,000
Riverbend Project (Secured by Future Block Grant Revenue).....	10/28/1997	6.21 to 7.08		8/1/01-16	440,000
Stuberstone Project (Secured by Future Block Grant Revenue).....	10/28/1997	6.21 to 7.10		8/1/01-16	375,000
Total Primary Government Notes Payable.....					<u>31,755,000</u>
Component Units Notes Payable:					
Downtown Development Authority - Trappers Alley Project Note.....	12/01/1993	5.92 to 7.12		1-2-27	2,800,000
School District of the City of Detroit - First Municipal Notes.....	08/12/1998	5.25		08/12/01	289,640
Total Component Units Notes Payable.....					<u>3,089,640</u>
Total Notes Payable.....					<u>\$ 34,844,640</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations Continued:

The following is the schedule for Industrial Development Revenue Bonds at June 30, 2001:

	Bond Date	Amount Issued	Interest Rate	Maturity Date	Retired Year Ended June 30, 2001	Amount Outstanding June 30, 2001
Industrial Development Revenue Bonds (Note A) —						
Allied Chemical Corp.						
1979 Series.....	04/01/1979	\$ 1,000,000	6.75%	07/01/2004	\$ -	\$ 1,000,000 c
Total Bonds.....						\$ 1,000,000

c – Indicates bonds are callable under terms specified in the indentures.

Note A – These bonds are not a general obligation or indebtedness of the City. The City has a fiduciary responsibility to assure that any revenue from the Project is used for the payment of principal and interest on the bonds. The above information is provided solely for the Michigan Municipal Finance Commission as required under the provisions of Public Act 2 of 1968 and Public Act 202 of 1943, as amended.

Lease Obligations:

The School District of the City of Detroit (Component Unit) has leases with IBM for certain equipment. The capital lease obligation associated with these leases is recorded in capital lease payable. As of June 30, 2001, the future minimum lease payments under noncancelable capital leases are as follows:

	Capital Leases
2002.....	\$ 1,263,131
2003.....	402,107
2004.....	402,107
2005.....	402,107
2006.....	402,107
Thereafter.....	603,160
Total Minimum Lease Payments.....	3,474,719
Less - Amount Representing Interest.....	592,204
Total Capital Lease Obligations.....	\$ 2,882,515

The following is the schedule for Bonds Authorized and Unissued at June 30, 2001:

	Authorized (Note A)			Unissued Amount
	Authority	Date	Amount	
General Obligation Bonds (Tax Supported):				
Sewer Construction.....	Electorate	08/02/1960	\$ 50,000,000	\$ 24,000,000
Fire - Buildings and Sites.....	Electorate	11/04/1997	7,500,000	7,402,554
Police - Buildings and Sites.....	Electorate	11/04/1997	7,500,000	5,207,505
Public Health Facilities.....	Electorate	08/04/1992	6,000,000	2,158,808
Public Health Facilities.....	Electorate	11/04/1997	1,000,000	1,000,000
Public Lighting - System Betterments, Improvements and Extensions.....	Electorate	11/04/1997	40,000,000	16,200,000
Public Lighting - System Betterments, Improvements and Extensions.....	Electorate	11/07/2000	30,000,000	30,000,000
Public Safety.....	Electorate	11/07/2000	12,000,000	12,000,000
Municipal Facilities.....	Electorate	11/07/2000	18,000,000	18,000,000
Institute of Arts.....	Electorate	08/02/1988	25,000,000	5,345,000
Institute of Arts.....	Electorate	11/07/2000	25,000,000	25,000,000
Recreation and Zoo.....	Electorate	11/04/1997	38,000,000	21,003,039
Recreation and Zoo.....	Electorate	11/07/2000	56,000,000	56,000,000
Community and Economic Development.....	Electorate	08/04/1992	62,000,000	1,593,095
Community and Economic Development.....	Electorate	11/04/1997	35,000,000	35,000,000
Community and Economic Development.....	Electorate	11/07/2000	30,000,000	30,000,000
Library.....	Electorate	11/04/1997	7,500,000	3,500,000
Transportation.....	Electorate	11/04/1997	3,000,000	3,000,000
Public Works.....	Electorate	11/04/1997	3,500,000	2,000,000
Total Bonds Authorized - Unissued.....				\$ 298,410,001

Note A – The electorate approved an amendment to the State Constitution (the Headlee Amendment) November 7, 1978 that requires voter approval for the issuance of general obligation bonds effective December 22, 1978. The authority to issue bonds approved by the electors continues until revoked by the electors.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

General Bonds (General Obligation) Debt Service Requirements:

The following is the schedule of the General Bonds (General Obligation) Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Total Bond Maturities	General Bonds (Unlimited Tax)			General Bonds (Limited Tax)			Requirements
		Principal	Interest	Total	Principal	Interest	Total	
2002	\$ 47,085,000	\$ 34,060,000	\$ 26,417,908	\$ 60,477,908	\$ 13,025,000	\$ 1,786,533	\$ 14,811,533	\$ 75,289,441
2003	50,220,000	36,140,000	24,467,008	60,607,008	14,080,000	1,047,618	15,127,618	75,734,626
2004	52,830,000	38,330,000	22,285,810	60,615,810	14,500,000	881,581	15,381,581	75,997,391
2005	56,045,000	40,580,000	20,019,068	60,599,068	15,465,000	854,200	16,319,200	76,918,268
2006	43,520,000	42,930,000	17,726,005	60,656,005	590,000	824,868	1,414,868	62,070,873
2007 to 2011	173,635,000	170,165,000	52,974,513	223,139,513	3,470,000	3,607,303	7,077,303	230,216,816
2012 to 2016	81,235,000	76,590,000	19,880,925	96,470,925	4,645,000	2,435,856	7,080,856	103,551,781
2017 to 2021	35,965,000	29,795,000	3,457,638	33,252,638	6,170,000	906,188	7,076,188	40,328,826
Total	\$ 540,535,000	\$ 468,590,000	\$ 187,228,875	\$ 655,818,875	\$ 71,945,000	\$ 12,344,147	\$ 84,289,147	\$ 740,108,022

Convention Facility Limited Tax Revenue Bonds Debt Service Requirements:

The following is the schedule of the Convention Facility Limited Tax Revenue Bonds (Cobo Hall Expansion Project) Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		Total Requirements
		Principal	Interest	
2002	\$ 8,855,000	\$ 8,855,000	\$ 7,200,683	\$ 16,055,683
2003	9,290,000	9,290,000	6,732,688	16,022,688
2004	9,740,000	9,740,000	6,197,188	15,937,188
2005	10,300,000	10,300,000	5,654,513	15,954,513
2006	10,830,000	10,830,000	5,654,513	16,484,513
2007 to 2011	62,810,000	62,810,000	16,238,775	79,048,775
2012 to 2013	29,320,000	29,320,000	1,558,988	30,878,988
Total	\$ 141,145,000	\$ 141,145,000	\$ 49,237,348	\$ 190,382,348

Note A – Debt requirements have been computed in accordance with a resolution of the City and are payable from and secured solely by a lien on the distribution the City is entitled to receive from the revenues collected from the Liquor Tax and Hotel Occupancy Tax. At June 30, 2001, \$38,509,612 was available in the Capital Projects Fund for payment of principal and interest.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations Continued:

Downtown Development Bonds Debt Service Requirements:

The following is the schedule of the Downtown Development Authority Debt Service Requirements (Tax Increment Bonds) at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements		Total Requirements
		Principal	Interest	
2002	\$ 8,583,000	\$ 8,583,000	\$ 11,255,966	\$ 19,838,966
2003	9,090,000	9,090,000	10,753,603	19,843,603
2004	9,950,000	9,950,000	10,215,413	20,165,413
2005	10,548,000	10,548,000	9,619,538	20,167,538
2006	11,180,000	11,180,000	8,982,854	20,162,854
2007 to 2011	67,250,000	67,250,000	33,565,223	100,815,223
2012 to 2016	22,316,464	22,316,464	29,428,244	51,744,708
2017 to 2021	24,223,097	24,223,097	25,635,611	49,858,708
2022 to 2026	25,448,637	25,448,637	21,612,145	47,060,782
2027 to 2029	16,055,000	16,055,000	2,191,040	18,246,040
Total	\$ 204,644,198	\$ 204,644,198	\$ 163,259,637	\$ 367,903,835

Local Development Finance Authority Tax Increment Bonds, Series A, Debt Service Requirements:

The following is the schedule of the Local Development Authority Tax Increment Bonds, Series A, Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		Total Requirements
		Principal	Interest	
2002	\$ 3,035,000	\$ 3,035,000	\$ 5,358,980	\$ 8,393,980
2003	2,680,000	2,680,000	5,197,468	7,877,468
2004	2,405,000	2,405,000	5,045,703	7,450,703
2005	2,190,000	2,190,000	4,914,938	7,104,938
2006	3,370,000	3,370,000	4,799,205	8,169,205
2007 to 2011	18,735,000	18,735,000	21,292,773	40,027,773
2012 to 2016	29,150,000	29,150,000	14,865,445	44,015,445
2017 to 2021	34,955,000	34,955,000	6,012,885	40,967,885
Total	\$ 96,520,000	\$ 96,520,000	\$ 67,487,397	\$ 164,007,397

Note A – Series A Bonds were issued in connection with the development of the Chrysler Jefferson Assembly Plant.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G - Long-Term Obligations, Continued:

Parking and Arena System Bonds Debt Service Requirements:

The following is the schedule of the Parking and Arena System Bonds Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		
		Principal	Interest	Total Requirements
2002	\$ 5,210,000	\$ 5,245,000	\$ 5,269,153	\$ 10,514,153
2003	5,505,000	5,645,000	5,165,605	10,810,605
2004	5,915,000	5,955,000	4,595,219	10,550,219
2005	6,255,000	6,300,000	4,445,348	10,745,348
2006	6,615,000	6,760,000	3,843,628	10,603,628
2007 to 2011	14,105,000	14,500,000	14,948,863	29,448,863
2012 to 2016	11,170,000	11,845,000	11,800,384	23,645,384
2017 to 2021	12,855,000	11,530,000	7,696,602	19,226,602
2022 to 2026	7,600,000	8,200,000	4,537,784	12,737,784
2027 to 2030	8,500,000	6,600,000	1,038,450	7,638,450
Total	\$ 83,730,000 (B)	\$ 82,580,000	\$ 63,341,036	\$ 145,921,036

Note A - Series 1998A & 1999A principal and interest due July 1 are accounted for in the prior fiscal year.

Note B - Schedule does not include \$200,000 of Series 1999A bonds maturing during fiscal year 2001, which were still outstanding as of June 30, 2001.

Greater Detroit Resource Recovery Authority Bonds Debt Service Requirements:

The following is the schedule of the Greater Detroit Resource Recovery Authority Bonds Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		
		Principal	Interest	Total Requirements
2002	\$ 37,490,000	\$ 37,490,000	\$ 25,343,089	\$ 62,833,089
2003	41,225,000	41,225,000	23,124,956	64,349,956
2004	44,985,000	44,985,000	20,689,256	65,674,256
2005	49,105,000	49,105,000	17,953,625	67,058,625
2006	51,690,000	51,690,000	14,879,381	66,569,381
2007 to 2009	195,290,000	195,290,000	21,800,200	217,090,200
Total	\$ 419,785,000	\$ 419,785,000	\$ 123,790,507	\$ 543,575,507

Note A - Debt requirements have been computed in accordance with the bond ordinances and are payable solely from net revenues of the Authority.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G - Long-Term Obligations Continued:

Water Supply System Revenue Bonds Debt Service Requirements:

The following is the schedule of the Water Supply System Revenue Bonds Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements (Notes A and B)			
		Principal	Interest	Reserve	Total Requirements
2002	\$ 18,140,000	\$ 18,140,000	\$ 49,831,878	\$ -	\$ 67,971,878
2003	19,400,000	19,400,000	68,404,598	-	87,804,598
2004	19,740,000	19,740,000	67,407,146	-	87,147,146
2005	21,450,000	21,450,000	66,408,755	-	87,858,755
2006	21,985,000	21,985,000	65,275,134	-	87,260,134
2007 to 2011	128,825,000	128,825,000	310,840,589	-	439,665,589
2012 to 2016	168,350,000	168,350,000	271,718,797	-	440,068,797
2017 to 2021	221,055,000	221,055,000	222,979,933	-	444,034,933
2022 to 2026	238,555,000	238,555,000	158,751,212	-	397,306,212
2027 to 2031	273,090,000	273,090,000	91,845,083	-	364,935,083
2032 to 2034	201,120,000	201,120,000	16,352,357	(89,636,949)	127,835,408
Total	\$ 1,331,710,000	\$ 1,331,710,000	\$ 1,389,815,482	\$ (89,636,949)	\$ 2,631,888,533

Note A - For record purposes, there are \$375,575,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

Note B - Requirements for Water Revenue Bonds have been computed in accordance with the bond ordinances and without consideration of future interest income on investments. At June 30, 2001, funds accumulated in the Water Debt Service include 89,636,949, representing the reserve. This reserve has been applied in determining the requirements shown above.

Sewage Disposal System Revenue Bonds Debt Service Requirements:

The following is the schedule of the Sewage Disposal System Revenue Bonds Debt Service Requirements at June 30, 20001

Year Ending June 30,	Bond Maturities	Requirements (Notes A and B)			
		Principal	Interest	Reserve	Total Requirements
2002	\$ 24,880,174	\$ 24,880,174	\$ 57,310,726	\$ -	\$ 82,190,900
2003	26,545,000	26,545,000	56,633,899	-	83,178,899
2004	32,874,630	32,874,630	55,254,632	-	88,129,262
2005	30,830,000	30,830,000	53,946,870	-	84,776,870
2006	32,195,000	32,195,000	53,215,194	-	85,410,194
2007 to 2011	180,085,273	180,085,273	229,939,934	-	410,025,207
2012 to 2016	195,514,292	195,514,292	196,975,596	-	392,489,888
2017 to 2021	215,766,541	215,766,541	152,892,125	-	368,658,666
2022 to 2026	246,240,662	246,240,662	98,649,111	-	344,889,773
2027 to 2030	215,430,000	215,430,000	28,104,443	(88,164,262)	155,370,181
Total	\$ 1,200,361,572	\$ 1,200,361,572	\$ 982,922,530	\$ (88,164,262)	\$ 2,095,119,840

Note A - The Sewage Disposal System of the City of Detroit issued bonds to refund certain outstanding Sewage Disposal System Revenue Bonds. Payments were made into escrow funds pursuant to trust agreements of amounts sufficient to accomplish a defeasance of previously issued Sewage Disposal System Revenue Bonds. For record purposes, there are \$277,285,000 of the defeased Sewage Disposal Revenue Bonds outstanding.

Note B - Requirements for Sewage Revenue Bonds have been computed in accordance with the bond ordinances and without consideration of future interest income on investments. At June 30, 2001, funds accumulated in the Sewage Debt Service fund include \$88,164,262 representing the reserve. This reserve has been applied in determining the requirements shown above.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G - Long-Term Obligations, Continued:

School District of the City of Detroit - Energy Conservation Bonds and School District and Site Improvement Revenue Bonds Debt Service Requirements:

The following is the schedule of the School District of the City of Detroit - Energy Conservation Bonds and School District and Site Improvement Bonds Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Total Bond Maturities	Energy Conservation Bonds			School Building and Site Improvement Bonds			Requirements
		Principal	Interest	Total	Principal	Interest	Total	
2002	\$ 19,489,937	\$ 3,160,000	\$ 567,268	\$ 3,727,268	\$ 16,329,937	\$ 23,397,231	\$ 39,727,168	\$ 43,454,436
2003	23,060,361	3,280,000	432,875	3,712,875	19,780,361	22,485,088	42,265,449	45,978,324
2004	20,779,921	3,030,000	304,500	3,334,500	17,749,921	21,425,034	39,174,955	42,509,455
2005	22,420,299	2,170,000	192,145	2,362,145	20,250,299	20,426,849	40,677,148	43,039,293
2006	22,775,555	1,365,000	117,036	1,482,036	21,410,555	19,280,865	40,691,420	42,173,456
2007 to 2011	110,397,088	1,775,000	67,542	1,842,542	108,622,088	77,890,672	186,512,760	188,355,302
2012 to 2016	60,664,419	-	-	-	60,664,419	52,176,698	112,841,117	112,841,117
2017 to 2021	56,175,000	-	-	-	56,175,000	40,482,375	96,657,375	96,657,375
2022 to 2026	40,555,000	-	-	-	40,555,000	28,244,488	68,799,488	68,799,488
2027 to 2028	83,065,000	-	-	-	83,065,000	7,891,176	90,956,176	90,956,176
Total	\$ 459,382,580	\$ 14,780,000	\$ 1,681,366	\$ 16,461,366	\$ 444,602,580	\$ 313,700,476	\$ 758,303,056	\$ 774,764,422

Detroit Building Authority (District Court Madison Center) Revenue Bonds Debt Service Requirements:

The following is the schedule of the Detroit Building Authority (District Court Madison Center) Revenue Bonds Debt Service Requirements at June 30, 2001:

Year Ending June 30,	Bond Maturities	Requirements		Total Requirements
		Principal	Interest	
2002	\$ 1,237,910	\$ 1,237,910	\$ 281,938	\$ 1,519,848
2003	1,078,530	1,078,530	182,191	1,260,721
2004	1,366,478	1,366,478	690,164	2,056,642
2005	1,491,872	1,491,872	598,254	2,090,126
2006	1,599,790	1,599,790	509,832	2,109,622
2007 to 2011	8,322,164	8,322,164	1,397,280	9,719,444
Total	\$ 15,096,744	\$ 15,096,744	\$ 3,659,659	\$ 18,756,403

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

G – Long-Term Obligations, Continued:

Conduit Debt Obligations: The City issued Industrial Revenue Bonds (Allied Chemical Corporation 1979 Series) to provide financial assistance to private sector entities. The Bonds are not a general obligation or indebtedness of the City. The City has fiduciary responsibility to assure that any revenues from the project are used for the payment of principal and interest on the Bonds. As of June 30, 2001, \$ 1,000,000 of the Bonds was outstanding and are callable under terms specified in the Indenture.

Other Commitments: Future operating lease commitments of the City are as follows (See Note IV-A):

	<u>Lease Commitments</u>
2002.....	\$ 10,832,827
2003.....	10,188,854
2004.....	8,587,748
2005.....	6,879,223
2006.....	6,501,824
2007 and thereafter.....	<u>18,788,694</u>
Total.....	<u>\$ 61,779,170</u>

Refunding of Bonds:

In 2001, the Water Fund issued \$192,000 in Revenue Refunding Bonds, Series 2001-C, with a variable interest rate. This issue was used to advance-refund \$178,995,000 of outstanding 1999-A Senior lien Bonds with an average interest of 5.25%. The net proceeds of \$190,838,010, after payment of issuance costs and underwriting discounts of \$1,451,990, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1999-A Senior Lien Bonds. As a result, the 1999-A Senior Lien Bonds are considered to be partially defeased, and a portion of the liability for those bonds is not included in the accompanying financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,189,707. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2029 using the straight-line method. The Water Fund completed the advance refunding to reduce its total debt service payments over the next 18 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$9,930,557.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

H – Segment Information – Enterprise Funds:

Segment Information: Segment information for Enterprise Funds as of and for the year ended June 30, 2001 is summarized below:

	Airport Fund	Auto- mobile Parking Fund	Housing Fund	Sewage Disposal Fund	Trans- portation Fund	Water Fund	Total
	(in thousands of dollars)						
Operating Revenue	\$ 2,249	\$ 18,220	\$ 52,804	\$ 252,379	\$ 25,055	\$ 194,445	\$ 545,152
Operating Expense:							
Depreciation Expense.....	2,651	4,323	14,346	45,952	12,724	28,339	108,335
Other	3,696	9,621	52,551	172,283	174,381	146,795	559,327
Total Operating Expense.....	6,347	13,944	66,897	218,235	187,105	175,134	667,662
Operating Income (Loss).....	(4,098)	4,276	(14,093)	34,144	(162,050)	19,311	(122,510)
Non-Operating Income -							
Transfers-In.....	1,896	-	-	-	74,183	-	76,079
Capital Contributions.....	2,352	-	16,650	-	37,457	-	56,459
Other Non-Operating Income							
(Expense) — Net.....	-	(3,411)	(8,074)	(12,576)	69,299	(24,893)	20,345
Net Income (Loss)	150	865	(5,517)	21,568	18,889	(5,582)	30,373
Net Change in Contributed							
Capital.....	(1,473)	(685)	-	(19,728)	(12,488)	-	(34,374)
Working Capital (Deficiency),							
End of Year.....	(1,180)	881	(6,410)	124,308	(1,450)	25,866	142,015
Property, Plant, and Equipment -							
Additions (Net)	4,017	22,145	21,583	271,650	37,548	232,184	589,127
Property, Plant and Equipment,							
Less Accumulated							
Depreciation.....	46,065	104,937	300,763	1,652,751	101,531	1,319,762	3,525,810
Restricted Assets	-	52,787	6,294	292,083	-	390,671	741,835
Total Assets	46,927	164,460	316,686	2,144,234	157,136	1,833,407	4,662,850
Bonds and Notes Payable, Non-							
Current Portion — Net of							
Unamortized Premium	-	75,470	-	1,145,267	-	1,267,775	2,488,512
Retained Earnings — Reserved .	-	19,726	-	28,290	-	20,879	68,895
Retained Earnings (Deficit).....	(2,694)	37,095	(265,836)	399,281	13,048	268,230	449,124
Total Equity.....	44,616	75,861	289,422	815,904	73,032	389,512	1,688,347

Requirements and Restrictions on Bond Issuance: The following are applicable rate requirements and restrictions that apply to future Enterprise Funds bond issuances.

Automobile Parking Fund: The City has covenanted in bond authorizing documents to charge for the use of and services provided by the City of Detroit Building Authority Parking Arena System (the System) for each fiscal year of the City such that the gross revenues collected and remitted to the trustee (1) will be at least sufficient to at all times pay when due the principal, interest, and sinking fund installments on the revenue bonds without recourse to the Debt Reserve Account, to pay or provide for all operating expenses, to maintain the System in good repair without recourse to the Operating and Contingency Reserve Fund, and to replenish the Debt Reserve Account (so as to satisfy the corresponding reserve requirement) and the Operating and Maintenance Reimbursement Fund, and (2) will, after replenishment of any deficit in the Debt Reserve Account, Operating and Contingency Reserve Fund, and the Operating and Maintenance Reimbursement Fund, be equal to or greater than 175% of the amount payable in such fiscal year as the principal of sinking fund installments for the interest on all revenue bonds, net of amounts capitalized for interest payable during the construction period.

The City has covenanted further that, if the fees and charges collected in any fiscal year are not sufficient to produce such revenues, the City will employ a consulting expert to submit recommendations as to revision of the schedule of fees then in effect, and the City will thereafter charge and collect fees in accordance with such recommendation. The schedule of charges for the System may not be revised for a period of two years unless (1) such revision is for purpose

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

H – Segment Information – Enterprise Funds, Continued:

of complying with the aforesaid rate covenant or, simultaneously with such revision, there is filed with the trustee a certificate of the consulting expert stating the opinion that, if such revision had been in effect during the whole of the fiscal year immediately prior thereto, the revenues collected during such fiscal year would not have been diminished, and (2) at the time of any reduction in charges, the amounts in the Debt Reserve Account and Operating and Contingency Reserve Fund equal or exceed the reserve requirements.

The revenue bond documents specify that additional bonds may be issued by the Fund for the purpose of financing additions, replacements, and improvements to the City of Detroit Building Authority Parking Arena System, provided that the trustee shall have received all legally required authorized opinions and certificates, and that the estimated Gross Revenues (as defined in the bond authorizing documents) for the five years following completion of the facilities will be at least (1) 175% of annual debt service on all parity outstanding bonds, or (2) the sum of annual debt service on all parity outstanding bonds (including the Additional Bonds) plus the amount necessary to make all required payments to the various funds maintained by the trustee, whichever is greater.

Other than as described above, the Fund may not issue any obligations secured by gross revenues from the System unless any resulting lien on the System's gross revenues is expressly subordinate to liens for the bond holders' or bank's benefit described above.

Housing Fund: The Housing Fund has operating lease agreements with certain limited liability corporations (LLCs) under which the Commission leased land and buildings to the LLCs for the purpose of redeveloping certain housing projects. Such redevelopment will be financed primarily by modernization grants received by the Commission from HUD.

At the end of each lease term, the leasehold improvements will revert back to the Commission without charge. As of June 30, 2001, the amount expended under the lease agreements is reflected in the financial statements of the Commission as construction work in progress.

Component Units: The GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs. Supplemental tipping fees are provided from certain taxes collected by the State of Michigan, which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation, whether or not the facility is operating.

For the year ended June 30, 2001, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	\$ 49,868,299
Supplemental Tipping Fees	<u>19,879,847</u>
Total	<u>\$ 69,748,146</u>

Restricted Assets and Reserved Retained Earnings: The minimum level of restricted assets as required by ordinance was met in all cases.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

I – Contributed Capital:

The changes in the City's contributed capital accounts for its proprietary funds and its component unit proprietary funds are as follows:

Proprietary Funds:

	<u>Airport Fund</u>	<u>Auto- mobile Parking Fund</u>	<u>Housing Fund</u>	<u>Sewage Disposal Fund</u>	<u>Trans- portation Fund</u>	<u>Water Fund</u>	<u>Total</u>
	(in thousands of dollars)						
Contributed Capital, Beginning of Year.....	\$ 48,782	\$ 19,725	\$ 555,259	\$ 408,061	\$ 72,473	\$ 100,402	\$ 1,204,702
Depreciation of Fixed Assets Acquired by Contributed Capital.....	(1,473)	(685)	-	(19,728)	(12,488)	-	(34,374)
Contributed Capital, End of Year.....	<u>\$ 47,309</u>	<u>\$ 19,040</u>	<u>\$ 555,259</u>	<u>\$ 388,333</u>	<u>\$ 59,985</u>	<u>\$ 100,402</u>	<u>\$ 1,170,328</u>

Component Unit Proprietary Funds:

	<u>Detroit Transportation Corporation</u>	<u>Greater Detroit Resource Recovery Authority</u>	<u>Total</u>
	(in thousands of dollars)		
Contributed Capital, Beginning of Year	\$ 104,275	\$ -	\$ 104,275
Depreciation of Fixed Assets Acquired by Contributed Capital	(6,975)	-	(6,975)
Contributed Capital, End of Year	<u>\$ 97,300</u>	<u>\$ -</u>	<u>\$ 97,300</u>

J – Sewage Disposal and Water Funds Construction Programs: The Sewage Fund is engaged in a variety of projects that are part of a five year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$2.9 billion through fiscal year 2006. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2001 were approximately \$1.34 billion.

The Water Fund is engaged in a variety of projects that are part of a five year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$1.4 billion through fiscal year 2006. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2001 were approximately \$364 million. In fiscal year 2001, the Fund entered into a new contract in the amount of \$32.5 million for the Springwells Water Treatment Plant filter rehabilitation.

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans:

Plan Description: The City of Detroit, a single employer, Retirement System consists of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system is composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability and death benefits to plan members and beneficiaries.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

These plans are administered in accordance with the City of Detroit Charter and union contracts, which assign the authority to establish and amend contributions and benefit provisions to each plan's Board of Trustees. The Systems investment policies are governed in accordance with the State of Michigan Public Act 314 of 1965, as amended.

Summary of Significant Accounting Policies:

Basis of Accounting: The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments: Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchanges are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

Funding Policy/Contributions: The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is 13.37% of active annual payroll for the General Retirement System and 27.25% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds, including accounts receivable for the year ended June 30, 2001, amounted to \$68,139,535 and \$14,443,382 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5%, or 7% of the first \$80,400 of annual compensation and 5% or 7 % of any excess over \$80,400. Contributions are voluntary for all union and non-union employees.
- Policemen and Firemen Retirement System — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 2001 amounted to \$25,478,661 and \$10,300,781 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

The contribution requirements of plan members and the City of Detroit are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions.

Benefits: General Retirement System members may retire with full benefits after attaining thirty (30) years of service; age fifty-five (55) with thirty (30) years of service if hired after January 1, 1996; age sixty (60) with ten (10) years of service; or age sixty-five (65) with eight (8) years of service. Employees may retire after twenty-five (25) years of service and collect an actuarially reduced retirement benefit.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after twenty-five (25) years of service with full benefits and a yearly cost-of-living adjustment of 2.25%.

Members of the General Retirement System who separated prior to July 1, 1981, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1981 are not required to leave their accumulated annuity contributions in the System.

Members of the Policemen and Firemen Retirement System who separated prior to July 1, 1982, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1982, and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension. For those members of the Policemen and Firemen Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement, increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance if they have accumulated twenty-five (25) years of service.

Classes of Employees: The GRS covers all eligible employees other than police officers and firefighters, who are covered by the PFRS.

The plans' membership consisted of the following at June 30, 2000, the date of the latest actuarial valuation:

	<u>Defined Benefit</u>		<u>Defined Annuity Contribution</u>	
	<u>GRS</u>	<u>PFRS</u>	<u>GRS</u>	<u>PFRS</u>
Retirees and beneficiaries receiving benefits.....	14,480	8,079	1,893	1,757
Terminated plan members entitled to but not yet receiving benefits.....	1,472	40	396	9
Active plan members	12,147	5,481	11,680	5,224

Cash and Investments: Cash balances for the two Systems are held in financial institutions insured as members of FDIC in the Systems' name. As of June 30, 2001, the carrying amounts of \$2,819,153 for the General Retirement System and \$263,468 for the Police and Fire Retirement System were equal to bank balances. Of the bank balance, \$136,844 and \$200,000, respectively, were covered by federal depository insurance.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2001. Category 2 includes investments which are uninsured, unregistered, and held by a trust department or agent in the Systems' name.

The Retirement Systems have adopted an official investment policy that is in accordance with State Statute. Authorized investments include U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, mutual funds of certain investment quality, secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not excluded by state statute, limited as to portfolio share.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

Below is a description of the investments by type and category.

<u>Investment</u>	<u>2001</u>	<u>2000</u>	<u>Category</u>
General Retirement System:			
Short-Term Investments	\$ 157,634,951	\$ 81,485,551	2
Bonds and Stocks	1,737,001,934	2,123,565,422	2
Mortgage-Backed Securities	83,942,510	64,774,385	2
Mortgage and Construction Loans	138,194,331	135,088,234	N/A
Equity Interest in Real Estate	87,236,905	81,122,565	N/A
Securities Lending	191,090,775	233,982,226	N/A
Pooled Investments	117,867,092	101,462,095	N/A
Private Placements	<u>191,077,767</u>	<u>157,589,651</u>	2
Total	\$ <u>2,704,046,265</u> *	\$ <u>2,979,070,129</u> *	
Policemen and Firemen Retirement System:			
Short-Term Investments	\$ 159,402,831	\$ 175,632,926	2
Bonds and Stocks	2,289,139,608	2,831,212,630	2
Mortgage-Backed Securities	175,888,125	194,145,764	2
Mortgage and Construction Loans	81,469,075	107,782,578	N/A
Equity Interest in Real Estate	75,203,433	55,475,488	N/A
Securities Lending	409,745,112	470,059,337	N/A
Pooled Investments	343,431,003	356,300,802	N/A
Private Placements	<u>22,536,856</u>	<u>37,137,988</u>	2
Total	\$ <u>3,556,816,043</u> *	\$ <u>4,227,747,513</u> *	

*Does not include Accrued Interest

Investment loss presented in the Statement of Changes in Plan Net Assets for the Retirement System, consist of interest income, dividend income, net depreciation and investment expenses. GRS and PFRS were unable to breakdown each component by reserve fund as required in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, however the Systems were able to present components in total:

	<u>GRS</u>	<u>PFRS</u>
Investment loss, net		
Dividend Income	\$ 20,521,797	\$ 31,276,803
Interest Income	60,256,705	109,352,491
Net Depreciation	(204,207,246)	(591,172,213)
Investment Expenses	<u>(4,649,788)</u>	<u>(14,122,835)</u>
Total	\$ <u>(128,078,532)</u>	\$ <u>(464,665,754)</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Employer Contribution (In Millions):

<u>General Retirement System</u>			<u>Policemen and Firemen Retirement System</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1995	\$36.5	100%	1995	\$57.3	100%
1996	42.5	100	1996	55.0	100
1997	54.7	100	1997	54.5	100
1998	52.7	100	1998	48.1	100
1999	55.6	100	1999	15.7	100
2000	66.7	100	2000	20.0	100

Schedule of Funding Progress (In Millions):

<u>Actuarial Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
<u>General Retirement System:</u>						
1995	\$2,043.4	\$2,275.2	89.8%	\$231.8	\$327.6	70.8%
1996	2,193.2	2,382.8	92.0	189.6	360.1	52.7
1997	2,333.4	2,537.8	92.0	204.4	382.8	53.4
1998	2,582.0	2,814.9	91.7	232.9	387.0	60.2
1999 (a) (b)	2,756.6	2,900.4	95.0	143.8	383.4	37.5
2000(a) (b)	2,902.4	3,077.0	94.3	174.6	417.2	41.9

Policemen and Firemen Retirement System:

<u>Actuarial Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
<u>1995</u>	<u>\$2,443.0</u>	<u>\$2,574.2</u>	<u>94.9%</u>	<u>\$ 131.2</u>	<u>\$ 209.7</u>	<u>62.6%</u>
1996 (a)	2,628.6	2,633.4	99.8	4.8	212.7	2.3
1997	2,944.2	2,806.6	104.9	(137.6)	217.6	-
1998	3,325.9	2,976.8	111.7	(349.1)	217.5	-
1999 (a) (b)	3,668.4	3,218.7	114.0	(449.7)	216.0	-
2000 (a) (b)	3,964.2	3,342.1	118.6	(622.1)	237.7	-

(a) After changes in actuarial assumptions.

(b) Plan amended.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

Net Assets Held in Trust for Employees' Pension Benefits: Net assets held in trust for employees' pension benefits include legally required reserves and amounts designated by the plans' Board of Trustee for specific purposes. Net assets as of June 30, 2001 consists of the following reserves and designations:

	<u>GRS</u>	<u>PFRS</u>
<u>Annuity Reserves:</u>		
Annuity Savings Fund	\$ 720,801,263	\$ 364,215,395
Annuity Reserve Fund	<u>24,085,096</u>	<u>13,975,359</u>
	744,886,359	378,190,754
<u>Pension Reserves:</u>		
Pension Accumulation Fund	942,566,848	1,316,835,345
Pension Reserve Fund	1,224,693,181	2,174,713,979
Survivor Benefit Fund	<u>-</u>	<u>30,280,626</u>
	2,167,260,029	3,521,829,950
<u>Trustee Designated Fund:</u>		
Market Stabilization Fund	<u>(221,140,306)</u>	<u>(416,395,484)</u>
Total Net Assets	<u>\$ 2,691,006,082</u>	<u>\$ 3,483,625,220</u>

Annuity Savings and Annuity Reserve Funds (Defined Contribution Plan): The Annuity Savings Fund represents cumulative contributions made by active employees plus credited interest. Amounts are subject to withdrawal upon termination of employment or retirement. Amounts transferred to the Annuity Reserve Fund represent cumulative contributions for retirees, disabled members, or surviving spouses who have elected monthly annuity benefits.

Survivor Benefit Reserve Fund: The Survivor Benefit Reserve Fund represents accumulated member and City contributions for certain survivor benefits from which the related benefits are paid.

Pension Accumulation Fund (Defined Benefit Plan): The Pension Accumulation Fund represents the fund in which City contributions are accumulated for the payment of pensions and other benefits. Employees who served in World War 11, the Korean War or Vietnam are eligible to contribute a one-time contribution to receive an additional pension payment upon retirement. Total employee contributions for the veterans were \$46,618 for General Retirement System and \$61,147 for Policemen and Firemen Retirement System for the year ended June 30, 2001.

Pension Reserve Fund (Defined Benefit Plan): The Pension Reserve Fund represents funded pension benefits available for retired lives and is funded by actuarially determined transfers from the Pension Accumulation fund.

Market Stabilization Fund: The Market Stabilization Fund represents amounts designated from plans' earnings for cushioning the effect of future market value adjustments for investment performance. The Board of Trustees authorized the creation of this fund, and the reserve amounts are calculated using a three-year-average method.

Transfers: Reserves are subject to adjustments based upon actuarial valuation. Such adjustments are recorded every fiscal year.

Accrued Pension Benefits: On October 4, 2000, the City of Detroit, Michigan, the Detroit Police and Lieutenants and Sergeants Association (DPLSA), the Detroit Police Officers Association (DPOA), the Detroit Firefighters Association (DFFA), the Detroit Police Command Officers Association (DPCOA), and the Retired Detroit Police and Fire Association (RDPFA), collectively known as "the Union," entered into an agreement whereby \$92.4 million and \$98 million for the years ended June 30, 1999 and 2000, respectively, was distributed to the City (40%) and active (30%) and retired (30%) police and fire.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

The distribution resulted from the excess of the funding value of assets over actuarial accrued liabilities (full funding credit). The City's portion was credited toward the normal cost contribution for the fiscal years ending June 30, 2001 and 2002. Retired employees or beneficiaries received an additional pension check, referred to as the "13th Check." All active employees on the payroll July 1, 2000 and July 1, 2001 received a distribution in the form of contributions to each employee's defined contribution plan account, based upon the employee's service credit earned as of the June 30 of the applicable plan year. The payout was scheduled in three installments, June 2001, July 2001 and October 2001. The \$81,791,707 represents the accrued pension benefits earned but not paid.

Old Pension Plans: Certain old pension plans, which include retired members only, are accounted for by the sponsor funds on a pay-as-you-go basis and are not reflected in the accompanying financial statements. The sponsor funds and contributions made for the year ended June 30, 2001 is \$50,083 for the General Fund.

Other Post Employment Benefits: In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care and life insurance. The number of City retirees at June 30, 2001 is 19,559. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post-retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2001, are as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$ 96,233,472	\$ 8,899,661	\$ 105,133,133
Dental	5,295,352	-	5,295,352
Eye Care	1,844,286	-	1,844,286
Life Insurance.....	135,078	26,951	162,029
Total	<u>\$103,508,188</u>	<u>\$ 8,926,612</u>	<u>\$ 112,434,800</u>

Significant actuarial assumptions used in preparing the accompanying Systems' required supplementary information for the year ended June 30, 2001 follow:

	<u>General Retirement System</u>	<u>Policemen and Firemen Retirement System</u>
Valuation Date	June 30, 2000	June 30, 2000
Actuarial Cost Method.....	Entry Age	Entry Age
Amortization Method.....	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	21 Years	17 Years
Asset Valuation Method	3-Year Smoothed Market	3-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	7.8%
Projected Salary Increases	4.0 % – 10.0%	5.5% – 9.0%
Includes Inflation At	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the plans, or the actuarial methods and assumptions used.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

L – Agency Funds: The following table presents the changes in assets and liabilities for the City's agency funds for the year ended June 30, 2001:

	Condemnation Awards Fund
Additions:	
Contributions.....	\$ -
Investment Earnings.....	-
Other Receipts.....	-
Total Additions.....	-
Deductions:	
Allowances and Withdrawals.....	(345,511)
Administrative Expense	-
Total Deductions	(345,511)
Net Decrease	(345,511)
Net Assets Held:	
June 30, 2000	<u>2,939,211</u>
June 30, 2001	<u>\$ 2,593,700</u>

M – Transfers:

Fund Transfers: City-wide transfers from other funds total \$228,154,555 as compared to city-wide transfers to other funds of \$230,259,007. The difference of \$2,104,452 represents a Capital Projects Fund transfer to the Airport Fund, which is shown as a capital contribution in the Enterprise Funds.

IV. OTHER INFORMATION

A – Contingencies:

Lawsuits and Claims: The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are settled for amounts less than the stated demand. While it is not possible to estimate the final outcome of these lawsuits and claims with any reasonable degree of precision, the City and its Legal Department have estimated that the liability for all such litigation and claims will not exceed \$178 million.

Grant Audits: Several of the City's funds participate in a number of federally-assisted grant programs, principal of which are the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2001 have not been conducted and/or completed. Accordingly, the funds' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined as of June 30, 2001. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

Rate Matters: The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.

Condemnation Matters: The City Council has approved the Airport Fund to purchase and demolish approximately 425 residential properties west of the Airport. The Fund must clear the homes to comply with a Federal Aviation

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Contingencies, Continued:

Administration (FAA) requirement that there will be no structure within 750 feet of the center line of a runway. The requirement was previously waved pending Federal funding to buy the structures.

The Master Plan for the Airport has been approved by the State and FAA. The Airport is updating a layout plan to assess the benefits and costs of implementing the Master Plan. The Airport now owns approximately 29 parcels in the French Road Mini-take Project. Phases I and II of the project consist of 52 parcels composed of 24 vacant parcels, 25 residential homes, and 3 commercial buildings. The total of these parcels are to be acquired with a combination of federal and local funds.

Utility Users' Tax: The City Utility Users' Tax Act imposes a 5% tax on utility use within the City, which was historically billed by the public utility companies. When natural gas was deregulated, certain corporate taxpayers started buying natural gas directly from wellheads and producers and stopped paying the corresponding utility user tax. In December 1987, the City adopted a Rule declaring these "direct natural gas purchases" were subject to tax. In 1988, a taxpayer group unsuccessfully challenged the Rule before the Revenue Commissioner. This decision was upheld in February 1990 by the Wayne County Circuit Court and in October 1992 by the Michigan Court of Appeals. The sole issue of whether application of the Rule prior to January 1, 1988 would be "unduly harsh" was remanded to the State Revenue Commissioner. In 1994, the City began issuing proposed assessments for January 1, 1988 through December 31, 1993. With respect to these assessments, taxpayers fell into three categories: (1) taxpayers who had paid and remitted taxes monthly; (2) other taxpayers who protested, were afforded a protest hearing, received a final assessment and filed appeals to the Revenue Commissioner (In July and September 1996 the Revenue Commissioner ruled in the City's favor and these rulings have been upheld by the Wayne County Circuit Court, which entered judgment in the City's favor); and (3) other taxpayers who failed to timely protest. The City filed collection actions in Wayne County Circuit Court, and the court again ruled in the City's favor. A dozen or so taxpayers then appealed to the Michigan Court of Appeals, which, in December 1998, upheld the judgments in a final, published decision. The remand proceeding has finally resulted in the Revenue Commissioner's decisions of April 1, 1999 in the City's favor, amounting to \$1.8 million in outstanding taxes, interest, and penalties. This decision was unsuccessfully appealed to the Wayne County Circuit Court and twice leave to appeal was denied by the Michigan Court of Appeals.

On December 17, 1999, the Wayne County Circuit Court granted the City's motion for summary affirmance and entered judgements in favor of the City against each taxpayer/appellant. An attempt to appeal to the Michigan Court of Appeals was dismissed, on the City's motion, in March 2000 and the judgements became final. In December 2000, the taxpayer group filed an application for leave to appeal to the Michigan Supreme Court and are appealing both the remand issue and the October, 1992 Court of Appeals decision upholding the rule. It is unlikely that the Michigan Supreme Court will grant the application for leave to appeal, however, we may not hear from the Court for another six months.

There remains pending certain appeals before the State Commissioner of Revenue for tax years 1994-1996, however, in April 2001, the hearing officer issued proposals for decision in the City's favor. Some of the taxpayers filed objections and we are currently awaiting final decisions from the Revenue Commissioner.

Block Grant Funds: Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Contingencies, Continued:

As of June 30, 2001, future Block Grant Funds of \$31,755,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended, for the following projects:

Caraco Pharmaceutical	\$ 6,685,000
Central Industrial Park.....	13,965,000
Ferry Street	2,900,000
Garfield.....	2,260,000
Jefferson/Conner Revitalization	2,800,000
Michigan Repacking.....	1,410,000
Riverbend	1,360,000
Stuberstone	<u>375,000</u>
Total	<u>\$ 31,755,000</u>

<u>Project</u>	<u>Date</u>	<u>Amount</u>
Caraco Pharmaceutical	August 1, 2001	\$ 580,000
	August 1, 2002	<u>6,105,000</u>
		<u>6,685,000</u>
Central Industrial Park.....	September 1, 2001	6,760,000
	September 1, 2002	<u>7,205,000</u>
		<u>13,965,000</u>
Ferry Project.....	August 1, 2004	85,000
	August 1, 2005	90,000
	August 1, 2006	95,000
	August 1, 2007	100,000
	August 1, 2008	105,000
	August 1, 2009-2013	790,000
	August 1, 2014-2018	<u>1,635,000</u>
		<u>2,900,000</u>
Garfield.....	August 1, 2001	105,000
	August 1, 2002	105,000
	August 1, 2003	105,000
	August 1, 2004	105,000
	August 1, 2005	105,000
	August 1, 2006-2010	535,000
	August 1, 2011-2015	<u>1,200,000</u>
		<u>2,260,000</u>
Jefferson/Conner Revitalization	August 1, 2001	<u>2,800,000</u>
Michigan Repacking Project	August 1, 2001	35,000
	August 1, 2002	40,000
	August 1, 2003	45,000
	August 1, 2004	<u>1,290,000</u>
		<u>1,410,000</u>

continued

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

A – Contingencies, Continued:

<u>Project</u>	<u>Date</u>	<u>Amount</u>
Riverbend	August 1, 2001	65,000
	August 1, 2002	65,000
	August 1, 2003	80,000
	August 1, 2004	80,000
	August 1, 2005-2009	410,000
	August 1, 2010-2014	485,000
	August 1, 2015-2016	175,000
		<u>1,360,000</u>
Stuberstone	August 1, 2001	15,000
	August 1, 2002	15,000
	August 1, 2003	15,000
	August 1, 2004	15,000
	August 1, 2005-2010	105,000
	August 1, 2011-2015	150,000
	August 1, 2016-2017	60,000
		<u>375,000</u>
Total		<u>\$ 31,755,000</u>

In addition, the City was previously authorized to use Block Grant Funds totaling \$66,962,000 for the Central Industrial Park Project. At June 30, 2001, \$2,807,435 is outstanding against this advance.

Greater Resource Recovery Authority (Authority): In 1991, the Authority sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127 million in cash, mortgage notes of \$342.7 million and assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the Authority, which results in the Authority assuming most of the lease obligations. Upon expiration of the initial lease term, the Authority has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the Authority sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the Authority's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the Authority distributed \$54 million of the cash proceeds to the City, which was reflected as a reduction of the Authority's equity.

Future minimum lease payments (not included in note III-G) for each of the next five years and remaining years for the initial lease term are as follows: 2002 - \$71,027,935; 2003 - \$49,806,655; 2004 - \$49,693,969; 2005 - \$59,297,765; 2006 - \$51,419,062 and thereafter - \$121,960,132.

Other Contingencies: The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport, Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.

B – General Fund/Risk Management: As discussed previously in Notes I-A and IV-A, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued \$100 million of Self-Insurance Bonds, and a portion of proceeds were used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments (\$41.0 million). Remaining funds are being used to cover liabilities to third parties for any loss or damages

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 2001

B – General Fund/Risk Management, Continued:

arising out of negligence, tort, contract or otherwise accruing payable by the City after July 1, 1994, and for which insurance coverage could be provided by a third-party insurer but for which the City has determined to self-insure.

Insured among other covered losses are liabilities for workers' compensation and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds in its General Fund. Risk management activities for the Enterprise Funds are recorded and reported separately in those funds. Claims expenditures and liabilities are reported in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by GASB No. 17), when it is probable that an asset has been impaired or a liability has been incurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 2001, the amount of the above type liabilities was estimated at \$196.2 million, of which \$194.4 million was recorded in the General Long-Term Debt Obligations Account Group and \$1.8 million was recorded in the General Fund. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2000 resulted from the following:

	(In Millions)	
	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Balance at Beginning of Year.....	\$ 193.9	\$ 188.7
Current Year Claims and Changes in Estimates.....	59.6	65.0
Claims Payments.....	<u>(57.3)</u>	<u>(59.8)</u>
Balance at End of Year.....	<u>\$ 196.2</u>	<u>\$ 193.9</u>

As a result of the issuance of the Self-Insurance Bonds and the operations of the Self-Insurance Reserve Fund, at June 30, 2001 the General Fund has designated \$44.8 million for the purpose of funding the City's future claim liabilities. This amount is also designated for Risk Management Operations in the General Fund's Balance Sheet.

C – Subsequent Events: Subsequent to year end, the School District issued Series III of the 1994 School Building Site Improvement Bonds. The proceeds of the issue of the Series III amounted to \$438,365,000.

In August 2001, the City of Detroit issued approximately \$105 million of Unlimited Tax General Obligation Bonds to finance various capital projects of the City and to refund certain outstanding bonds. The City issued \$46,795,000 in refunding bonds to refund \$47,315,000 of outstanding bonds to obtain an economic gain of \$11,806.

On September 5, 2001, the Economic Development Corporation of the City of Detroit issued revenue refunding bonds in an aggregate principal amount of \$113,510,000, to refund certain outstanding bonds.

In September 2001, the Sewage Disposal Fund issued approximately \$725 million in bonds, the proceeds of which are to be used pay part of the construction of certain additional repairs, extensions, and improvements to the Sewage System as well as refunding \$258,150,000 of outstanding bonds.

On November 30, 2001, City Council approved a Defined Contribution Plan for employees of the General Retirement Systems, but an estimated date of enactment has not been determined. The City Council also approved several insignificant changes in actuarial methods and assumptions. Such changes were included in the June 30, 2000 actuarial report and were contingent upon approval.

In December 2001, the Sewage Disposal Fund issued approximately \$60 million in bonds to participate in the Michigan Municipal Bond Authority State Revolving Fund. The proceeds which are to be used to finance Clean Water Revolving Fund Projects.

“Living Experience” Leaves a Legacy of Underground Railroad Tour at First Congregational Church of Detroit



A “Conductor” explains to his “passengers” the rules of the “rails”.



The above slave woman encourages slaves on the plantation to become passengers on the Underground Railroad. Such a person was known as a “shepherd”. This elderly slave, too frail for the demanding travels of the Underground Railroad, will stay behind to encourage others to follow.



Runaway slaves would follow rivers upstream, as a navigational tool. Wading in the water would also throw the slave catchers’ bloodhounds off scent. Runaway slaves would sometimes be hidden in wagons (under hay or flour sacks, etc.) to move them along the Underground Railroad.

Photos by Donald M. Schwartz, Trans Community Information Services

1856

The Historic First Congregational Church of Detroit has created an Underground Railroad tour and museum deep within the bowels of the church. The church has been at its current location at Woodward and Forest for 100 years; however, earlier while located on Fort and Wayne (now Washington Boulevard) streets in downtown Detroit, “Old First” has been documented as one of the stations on the Underground Railroad.

Armed with this information and under the Leadership of the Rev. Dr. Lottie Jones Hood, the Senior Pastor, the church now provides “Living Experience” tours of an escape aboard the Underground Railroad in the year 1856. Participants begin by receiving a slave “shackle” and then are led on an escape by a Conductor from a sugar cane plantation in Louisiana, through alligator-infested swamps and deep dense forests, over the Ohio River, through Indiana, onto *Midnight*, the code name for Detroit, and finally to freedom in Canada. Along the way, they encounter cast members portraying runaway slaves, slave catchers, Quaker safehouse keepers, Congregational Ministers, and a host of others. “Escaping slave” participants describe the experience as both enlightening and heart-wrenching.



Dock on the Detroit River, final passage to Canada and freedom.

Courtesy of First Congregational Church of Detroit